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PART VI.

## FURTHER CORRESPONDENCE

RESPECTING THE

# BAGDAD RAILWAY.

34

1909.



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Further Correspondence respecting the Bagdad Railway.

PART VI.

[20101]

No. 1.

*Djéad Bey to Sir Edward Grey.—(Received May 28.)*

*Ambassade Impériale de Turquie, Londres,  
le 27 mai, 1909.*

M. le Ministre,

LE Gouvernement anglais connaît l'état précaire des finances ottomanes, état qui est un des funestes héritages de l'ancien régime. Le nouveau Gouvernement prend des mesures presque draconiennes pour diminuer les dépenses afin d'équilibrer le budget, mais il n'y arrive pas; il lui faut de nouvelles ressources tant pour les dépenses ordinaires que pour les travaux publics. Le Gouvernement de Sa Majesté britannique sait mieux que nul autre qu'une bonne administration s'obtient avec de bonnes finances. En fait de nouvelles ressources, le Gouvernement ottoman ne peut en avoir d'autres en ce moment qu'avec l'augmentation des droits d'entrée à 15 pour cent *ad valorem*. Rîfîat Pacha en avait déjà causé avec votre Excellence, et le Gouvernement britannique avait donné son assentiment sous une condition que la Sublime Porte avait acceptée.

D'ordre de mon Gouvernement, j'ai l'honneur de porter aujourd'hui à la connaissance de votre Excellence que la Turquie compte sur l'amitié de l'Angleterre pour voir réaliser au plus vite son désir si légitime.

Le Gouvernement Impérial a déjà le consentement de l'Autriche-Hongrie et de l'Allemagne, et il ne doute pas que le concours bienveillant du Foreign Office, toujours prêt à aider le nouveau régime, ne lui fera pas défaut en cette occurrence.

Je serais reconnaissant à votre Excellence de vouloir bien me mettre prochainement à même de transmettre à mon Gouvernement la bonne nouvelle, qui est attendue à Constantinople avec tant de confiance.

J'ai, &c.  
DJEVAD.

[20290]

No. 2.

*Sir G. Louther to Sir Edward Grey.—(Received June 1.)*

(No. 375.)

Sir,

*Constantinople, May 25, 1909.*

I HAVE the honour to transmit herewith copy of a despatch and its inclosures which I have received from His Majesty's resident and consul-general at Bagdad, in which he advocates, as being in the interests of both Turkey and Great Britain, the acquisition of a concession for a railway connecting Mesopotamia with the Mediterranean at Alexandretta by way of the Euphrates valley and Aleppo.

The importance of the results which the realisation of such a scheme would have for our commerce and for our political influence in this country are, I am aware, thoroughly

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appreciated by His Majesty's Government, and I need not therefore dilate upon them. As to the commercial prospect of the proposed line, I am in no position to express a decided opinion, as it appears to me that, until Sir W. Willcocks's scheme for the irrigation of Mesopotamia has been advanced far enough to afford approximate data as to the economic development to be anticipated in these regions, the matter must remain largely speculative, and I therefore propose only to offer a few observations on some of the points raised in Colonel Ramsay's despatch, together with some remarks of a general character.

Colonel Ramsay dwells with some insistence on the necessity, for the success of the scheme under discussion, of preventing the German Bagdad Railway Company from acquiring the concession for the line between Aleppo and Alexandretta, for, he argues, the German company, if they obtained it, would be enabled, by applying over this section the maximum tariff permitted by their "cahier des charges," to maintain through rates for goods carried by the Euphrates Valley Railway to Alexandretta at a figure higher than for similar goods carried by the all-German line, and thus secure the latter against effective competition. I am not convinced that this apprehension is well grounded. The German company possesses its preference for the line connecting Aleppo with the sea only on condition that the prior similar rights of the Damascus-Hamah-Biredjik Railway are respected (see Young's "Corps de Droit ottoman," vol. iv, pp. 166-7 and 228). Now, supposing the French company is willing to cede its right, it seems to me certain that whatever other conditions they may attach to the agreement, they would certainly stipulate for favourable treatment in tariff matters for themselves, and in such case it is hard to conceive that the Turkish Government would not insist on equally favourable treatment for any railway starting from Aleppo for which they might grant a concession. Thus, though no doubt serious, I doubt whether the competition of the Bagdad Railway would be as formidable as Colonel Ramsay anticipates, especially when the advantage which the Euphrates Valley line would possess in its shorter route is taken into account. However this may be, there can be no question but that it would be desirable that the concession for this important line should be in the hands of more friendly parties than the Bagdad Railway is likely to prove. Perhaps, if there were a reasonable prospect that the French Railway Company and the French financial houses interested in it were disposed to follow a policy more in harmony with that of their Government, some arrangement with the Damascus-Hamah-Biredjik Company might offer a satisfactory solution of the difficulty. I bear, however, that the saying "L'argent n'a pas de patrie" is of too true application in Paris to allow of hopes in this direction.

Colonel Ramsay also suggests that, thanks to the double guarantee, for construction loan and for working expenses, which the Bagdad Railway enjoys under its concession, that company could without loss to itself lower rates to a point which a less favoured rival company could not afford. This in practice would probably prove to be the case, but this advantage again is considerably neutralised by the shorter route along the Euphrates Valley. It appears to me also that there is a limit beyond which the German company could not cut rates, and that limit would be reached when the kilometre receipts of the line were so reduced as to fall below 4,500 fr., the amount of the working expenses guarantee, and the Turkish Treasury became liable to make good the difference.

In any case it seems inevitable that the Germans will make a strong effort to obtain a concession of the Alexandretta-Aleppo line. It did not need the debate on the Bagdad Railway concession to show the Germans what the country at large think of the bargain they succeeded in making with the late Sultan, for the Germans had already hastened to assure the Minister of Public Works of their readiness to discuss that instrument, and, if need be, to modify it, but, so far as I am aware, no definite proposal for a basis of discussion has been put forward on either side. The Germans, however, will hardly consent to make a concession without some *quid pro quo*, and an alteration of the *tracé* of the railway so as to bring Alexandretta and Aleppo on to the main line, which they can colourably represent as being a modification as much in favour of Turkey as of the company, will assuredly be one of their requirements. On the other hand, they are still less likely to abandon the whole of the advantages in the nature of guarantees they now possess, and as Turkey, with the resources at present available to her, is quite unable to provide even for a reduced expenditure under that head, it seems probable that negotiations between the company and the Government will be deferred until the latter has obtained the consent of the Powers to an alteration of the existing customs régime.

In conclusion, I would hazard the opinion that whatever may be the prospect of a

Euphrates Valley Railway, such as advocated by Colonel Ramsay as a purely commercial enterprise, the unsettled political condition of this country is likely to deter capitalists from engaging in so important an enterprise without some assured guarantee, at least for the interest on the capital invested. To expect Turkey to furnish this would, I fear, be in vain, but it seems to me that, in view of the magnitude of the interests involved, it would be worth while carefully to examine whether the prospects of such a railway are not sufficiently good to warrant His Majesty's Government in doing so. If the result of such examination is favourable the annuity should be required for only a few years, and provision might be made for the repayment by securing to the Treasury a participation in the eventual profits of the line.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 2.

Consul-General Ramsay to Sir G. Lowther.

(No. 25.)

Sir,

Bagdad, March 10, 1909.

I HAVE the honour to lay before your Excellency my opinion of the need for early consideration of the question of railway communication between Bagdad and the Mediterranean Sea.

2. If the new Government of Turkey wishes really to improve the administration of the country it is essential that the finances should be placed in a more satisfactory condition, and the engagement of Sir William Willcocks, with a considerable staff of engineers, appears to show that the authorities at Constantinople are alive to the fact that the remedy for the impoverished state of the Treasury is to be found in the irrigation of the fertile plains of Mesopotamia. Already the lack of means of communication acts as a serious deterrent to the development of the country, for when the condition of the market is such that the cultivating classes might fairly hope to make a handsome profit, they find either that they cannot get their produce out of the country, or that the steamer companies take the lion's share of the profit. In 1908 there were large stocks of grain in the country, prices were high in London, and there was a famine in India. At the same time the tribes on the Lower Tigris were disturbed and the river was not safe for sailing craft, consequently the steamer freights rose until the Turkish steamers were getting 40s. a-ton for carrying wheat from Bagdad to Bussorah, while at the same time Lynch's steamers were charging 38s. 4d. a-ton. Even at these prices the steamer offices were besieged by people for space in the steamers. The result was that the entire advantage of the state of the market was taken by the steamer companies. As long as this state of things is possible it is not likely that cultivation for export will largely increase. I find from p. 233 of Mr. Lloyd's report that the average value of the trade of Bagdad with Europe and America for the years 1902 to 1906 was as quoted below:—

	£	s.	d.
Imports .. .. .	1,494,794		
Exports .. .. .	602,493		

and I find from consular trade reports that the average rate of freight during the same period between the United Kingdom and Bagdad was—

	For Imports.			For Exports.		
	£	s.	d.	£	s.	d.
River freight .. .. .	1	5	0	1	3	10½
Sea freight .. .. .	1	12	3	1	4	5
Total .. .. .	2	17	3	2	6	4½
Insurance w.p.a. .. .. .	1	6	1½	per cent.	About 1	per cent.

It is questionable whether these rates are ever likely to be reduced by any material amount. The British River Steamer Company, I am informed, only declares a dividend of 12 per cent. (I must confess that I find this difficult to understand), and a shrewd man of business who has been many years in Bagdad tells me that he doubts if the present rates can be profitably reduced, because when harvests are bad, or when all export of grain is prohibited, the steamers practically get no cargo on the downward



journey. As regards sea steamer companies, all authorities seem to agree that the Hamburg-American line has been losing money on its Persian Gulf service, and the British steamer companies have been urging that they cannot indefinitely continue to compete at the present rates unless they get some Government assistance. As regards this service, too, there seems little likelihood of large reductions of charges, because the conditions are such as to tell against low freights; the journey is a dangerous one through unlighted seas, the climate is very trying, the Suez Canal dues have to be paid both on the outward and the homeward voyage, and serious delays are often caused by insufficiency of water on the bar at the mouth of the Shat-ul-Arab, as well as by an entire absence of harbours in the Persian Gulf. Owing to lack of protection cargo cannot be worked in bad weather, and three steamers are maintained at Bussorah to lighten steamers crossing the bar.

More than half the import trade of Bagdad passes on to Persia via Khanakin, and for transport from Bagdad to Khanakin we must add about 20s. a-ton to the above rates, plus the cost of handling the cargo at Bagdad.

3. I believe that with cheaper freights and better means of communication our trade in Turkey would very largely increase, and it is obvious that cheaper freights will enable our trade to compete in the more distant parts of Persia.

If a railway to the Mediterranean is desirable in existing circumstances, it will be readily admitted that it is absolutely essential to the success of any large irrigation projects. Sir William Willcocks has now had sufficient time to make a detailed study of the country, and I understand from him that nowhere in the world could more promising projects be proposed. He estimates that 6,000,000 acres can eventually be brought under perennial irrigation, and that by using occasional rises in the river, and what would otherwise be the surplus water of the high floods, he will be able to flood 10,000,000 acres more, when needed, and so enormously increase the grazing capacity of the country. This is a very important point, for the country is eminently suited to the raising of sheep and cattle, owing to the large quantities of lime in the soil and water and also because the pastoral population is present to take advantage of any grazing facilities afforded. An increase in grazing seems desirable on political as well as commercial grounds, for it will bring the pastoral population into touch with the agricultural population and so, by force of example, lead them to the more profitable occupation.

Even if Sir William Willcocks's figures are many times too sanguine to be realised in the near future, it is clear that any serious irrigation works will need an economical outlet to the chief consuming markets. In ordinary years all the surplus produce will go by the Mediterranean, but when there is a famine in India it would be of great value to that country to be able to draw on such a granary as Mesopotamia.

There is already a considerable trade in animals from the vilayets of Bagdad and Bussorah to Aleppo. Animals are marched up all the way, they are liable to be robbed or to die, and I am told that it is not an unknown thing for the whole herds or flocks to disappear, yet the trade is profitable. From the consular report for Aleppo for the year 1907 it appears that 191,512l. worth of sheep and cattle were annually shipped to Egypt from Alexandretta during 1903-7, and no doubt this trade could be largely increased if grazing was improved here and if animals could be sent cheaply and safely to the sea coast. On one occasion a man applied to me for a special escort for 2,000 head of cattle that he was marching from Bagdad to Aleppo, and a Bagdad merchant, who is engaged in the trade, has given me the following estimate of the number of animals which annually pass through Bagdad on the way to Aleppo:—

Sheep	..	..	..	..	..	..	..	10,000 to 15,000
Cattle	..	..	..	..	..	..	..	2,500 to 14,000

The proposition that irrigation works must be supported by a railway to the sea is so obvious that I have perhaps already said more than was needed. The point which I wish to emphasise is that what is wanted is an outlet on the Mediterranean rather than an outlet on the Persian Gulf.

4. I enclose a map\* showing—

(a.) The main line and branches of the Bagdad Railway according to the concession of 1903.

(b.) The branch lines upon which the Germans have preferential rights.

(c.) The area which Sir William Willcocks thinks most likely to be irrigated.

\* Map not reproduced.

(d.) The line which I suggest as a basis of discussion.

It will be necessary to discuss various parts of the railway lines separately, but it may perhaps be convenient if I first notice the earlier correspondence regarding the Euphrates Valley Railway, which is available for reference at Bagdad.

5. The record of the proceedings of the Select Committee which sat in 1871 and 1872 to report on the proposed Euphrates Valley Railway is a voluminous document, largely made up of matter which is of no present interest. From the evidence taken I have extracted such information as is likely to be of present use, and attached it to this report as Appendix No. 1.

At that time Turkey was very anxious to have a railway from Alexandretta to the Persian Gulf, and was willing to give England guarantees if England would herself guarantee the necessary loan. The conclusions at which the Committee arrived were that a line of broad-gauge railway could be built from the Mediterranean to the Persian Gulf for about 10,000,000; that in process of time there would be sufficient traffic to support it; that the political and commercial advantages of establishing a second route (to India) would at any time be considerable, and might under possible circumstances be exceedingly great; and that it would be worth the while of the English Government to secure them, considering the moderate pecuniary risk that they would incur.

I understand from a pamphlet published by Captain Felix Jones that these recommendations were not acted upon because the condition of the money market was not favourable, and also because French influence became very powerful in Turkey.

6. It is not my province to discuss the political advantages of having a second route to India; they are certainly not less apparent than they were in 1872, provided the second route is in British hands.

7. In a country where no statistics are published it is impossible to make an estimate of traffic and to show the system on which the estimate is based. It is, however, easy to show that the productiveness of the country has largely increased since 1872. The trade report for the year 1888-9 shows that the total tonnage of steamers entering the port of Bussorah in 1888 was 104,246 tons; the tonnage in 1906 was 229,127 tons.

In 1903 Lynch had two steamers and the Turks had four small steamers running between Bagdad and Bussorah; now Lynch has three steamers, and the Turks have added four large steamers to their fleet. There is also a small stern-wheeler running up to Samarra, above Bagdad. The trade appears to have been created by the transport facilities, and there is no reason why the same thing should not occur along the Euphrates.

As a matter of fact, cultivation has largely increased along the Euphrates. Captain Powell went from Felluja to Meskene in 1872, and he recorded on a map of the river all existing cultivation. In the spring of 1908 I travelled up and down the Euphrates Valley, and took pains to compare existing facts with those recorded on the map. I found a very large increase of cultivation. I attach a note (Appendix No. 2) of my observations.

8. I venture to suggest that we should at once turn our attention towards obtaining the construction of a British—or British managed—railway somewhat as follows:—

Alexandretta to Aleppo.  
Aleppo to Meskene.  
Down the right bank of the Euphrates to Felluja.  
From Felluja to Bagdad.  
Bagdad to Bussorah or the Persian Gulf.

I am aware that we shall not obtain a concession for such a railway without difficulty, but it is important that the most direct line to India should be in our hands, and also that the line serving irrigation works carried out under British engineers should not be in the hands of any other nation. I presume that the money for the irrigation works will be found in England, and if this is correct we must insure as far as possible that our enterprise is not taxed by others. We know that there is abundance of water, a vast expanse of fertile soil, and that the levels are almost ideally convenient; consequently the only undetermined factor in the problem is the cost of getting produce to the European market.

As the difficulties to be overcome are not the same for all sections, it seems desirable to examine each section separately:—

*Alexandretta-Aleppo Section.*—The first thing on this section is to obtain permission  
[1703] C



to make any harbour improvements that may be required at Alexandretta. Under their concession of 1903 the Germans have no rights in the port of Alexandretta.

From Alexandretta to Aleppo there was no engineering difficulty that could not easily be overcome in 1872, and engineering and mechanical science has since then made much advance.

The chief difficulty lies in the engagements which have already been made between the Turkish Government and the French and German railways which are to join at Aleppo.

Article 12 of the German concession stipulates that should the Government decide on the construction of branches joining the "line which forms the object of the present convention" to the sea between Merzina and Tripoli it can give the concession exclusively to the Germans provided that due consideration shall be given to the existing rights of the French railway.

I have not been able to obtain a copy of the French concession, but I understand that article 36 of the concession gives to the French Company a right of preference on equal terms over any branches joining their line to the sea.

As far as the German concession is concerned, it seems clear that the Turkish Government is free to make a railway from Alexandretta to Aleppo should it wish to do so, provided it gives no concession to a third party, otherwise than in accordance with the French concession.

Without having seen the text of the French concession I can express no opinion as to the rights of the French Company.

2. According to article 21 (9) of the "cahier des charges" of the German concession cereals in full wagon loads, booked for not less than 200 kilom. are carried at 6 paras per ton per kilom., while the rate for cereals booked under other conditions is 22 paras per kilom. per ton.

The rate for sheep is 4 paras per head per kilom. and that for cattle is 27 paras per head per kilom. In the case of sheep and cattle I have not found any provision for a reduction of rates on long distances.

Sesame is charged 25 paras per kilom. per ton, and no provision for reduction in case of long distances. The whole classification of merchandise should, in my opinion, be examined by a traffic expert with a view to seeing how it could be used to injure a direct railway from Bagdad to Aleppo.

To take one instance. If the Germans construct the Alexandretta-Aleppo Railway, and the branch from El Bajh to Hit, the distance from Hit to Alexandretta will be, approximately, as shown below, taking the railway as a straight line from point to point, in both cases:—

					Miles.	Kilom.
Hit to Aleppo	..	..	..	..	280 or	508
Aleppo to Alexandretta (railway alignment of 1872)	..	..	..	..	92	147
Total	..	..	..	..	..	755
Hit to El Bajh	..	..	..	..	70	
El Bajh to Mosul	..	..	..	..	160	
Mosul to Tel Habash	..	..	..	..	230	
Tel Habash to Aleppo	..	..	..	..	40	
Aleppo to Alexandretta (railway alignment)	..	..	..	..	92	
Total	..	..	..	..	692 or	1,107

In the case of cereals in bulk the freight by all the German route would be 1,107 kilom. at 6 paras a kilom., or 29s. 10½d. a ton for the journey.

In the case of the direct route the cost would be at 6 paras a ton a kilom. from Hit to Aleppo 16s. 5½d. a ton, and from Aleppo to Alexandretta, a distance of 147 kilom., at 22 paras a ton, 14s. 7d. a ton.

Hit to Alexandretta per ton by the all German route 29s. 10½d.

Hit to Alexandretta by the direct route 31s. 0½d. a ton.

The rates quoted in the "cahier des charges" are maximum rates, and there is nothing to prevent the German railways from making reductions on all kinds of merchandise should it suit them to do so, on the other hand, there is nothing to prevent them from charging maximum rates on the Alexandretta-Aleppo section should it seem to them desirable.

According to the maximum rates I find that the freight charges per ton between Alexandretta work out as follows:—

Ninety-two miles = 147 kilom.; 4,000 paras = 1 lira. First-class goods at 35 paras a ton a kilom. would pay 11. 3s. 1½d. a ton.

Second-class goods at 27 paras a ton a kilom. would pay 17s. 10d. a ton.  
Third-class goods at 22 paras a ton a kilom. would pay 14s. 7d. a ton.  
Cattle at 27 paras a head per kilom. would pay 17s. 10d. a-head.  
Calves, donkeys, and pigs, at 9 paras a-head would pay 5s. 11d. a-head.  
Sheep and goats at 4 paras a-head would pay 2s. 7½d. a-head.

From the figures given at p. 174 of the "Statesman's Year-Book" for 1908, I have worked out the average charge per ton per mile on all goods traffic carried on the Indian railways in 1906. It comes to 421 pence per ton per mile, or 3s. 3d. a ton for 92 miles.

These figures show clearly that a Euphrates Valley Railway will be at the mercy of the German company, if the latter is allowed to construct the Aleppo-Alexandretta section; if it is allowed to have the port works at Alexandretta its position will be even stronger.

The best solution of the difficulty, as far as the German company is concerned, would appear to be that the Turkish Government should itself construct the Alexandretta section, and so prevent others from levying a tax on the productivity of irrigation works in Mesopotamia.

If the preferential rights of the French company extend in theory to a preference over a Government Railway, they could scarcely be enforced in practice, for the Turkish Government could afford to make the railway on terms, e.g., as regards rates of freight, which no company could accept, because, in the case of the Government, what it loses in freights it gains in the value of the produce of its irrigation works.

**Aleppo to Bagdad Section.**—The Select Committee established the fact that this section presented no engineering difficulties, though a bridge would be needed across the Euphrates.

There are no previous concessions, as far as I know, to interfere with this section. It would probably cross the Euphrates near Falluja, so as to run on the south of the navigable canal which will join the Euphrates near Falluja to the Tigris near Bagdad. This large canal would ensure the line from all danger or difficulty connected with inundations.

**Bagdad to Bussorah Section.**—The right to make this, or to have it made under British management in the future, should be obtained. The Germans could have no reasonable objection, provided one or both of the great rivers was kept between their line and the proposed line. The need for this line is not so urgent as is the need for an outlet on the Mediterranean, and I think it is not possible to form an opinion as to whether the line should run on the right or left bank of the Tigris, until Sir William Willcocks's survey are further advanced and more is known about existing marshes, and how the irrigation works are likely to alter them. Eventually the line will probably be needed, especially if the canals take so much water as to render navigation more difficult than it is at present during the low season.

10. Of the branches to which the German company has a preferential right on equal terms, the one which is of most importance to a future Euphrates Valley Railway is the branch from El Bajh to Hit. This branch might not be valuable supposing that the German Railway was open from Aleppo to Bagdad, because this railway would tap the rich wheat-growing districts south of Mosul, as well as the Persian trade; but the El Bajh-Hit branch would be valuable if the German line was not open; and the fact that the Tigris near El Badj was in direct railway communication with the sea, might tend to deter the German company from prosecuting its plans for further railway development in that region. It is clear that if the Euphrates Valley Railway reaches Hit before the German railway reaches El Badj the former company will be in a position to offer terms which could be accepted by no one else.

11. As the possession by the Germans of the Aleppo-Alexandretta section would injure the westward traffic along a Euphrates Valley railway, so the possession of the Samarra-Klammukh branch would injure all British trade with Persia. It is therefore most important that we should obtain control of this section if possible. The control of the Bagdad-Kerbela-Bussorah section is not so important commercially if there is an alternate line on the other bank of the Euphrates, but the control of this section is required on political grounds which have many times been discussed.

12. Sir William Willcocks has represented to the Minister for Public Works the necessity which exists for the Turkish Government to retain freedom of action in the matter of the Aleppo-Alexandretta Railway. Sir William has also written a "private" memorandum containing his views on this railway. I enclose a copy of this document as Appendix No. 3. I believe that Sir William has sent a copy of this document to



some of his capitalist friends in England with a view to stimulating their interest in a scheme which he intends to urge on the attention of financiers when he visits England this summer.

13. The arguments which I have tried to develop may be briefly summarised as follows:—

- (1.) The regeneration of Turkey depends upon financial assistance to be obtained from Mesopotamia.
- (2.) The success of irrigation works in Mesopotamia depends upon direct railway communication with the Mediterranean.
- (3.) If the Germans obtain the management of the Aleppo-Alexandretta line they will be able to reap large profits, which fairly belong to the irrigation works.
- (4.) If the port of Alexandretta is also in their hands their position will be even more dominant.
- (5.) Neither the German nor the French concessions make it impossible for the Turkish Government to make a railway from Aleppo to Alexandretta, which can be under British management.
- (6.) There is nothing to prevent a direct Bagdad-Aleppo line.
- (7.) The Germans in possession of the Khamakin-Sadija branch will be able to tax our trade with Persia.
- (8.) The Germans in possession of the Bagdad-Bussorah section will be able to tax all our trade with India and our sea-borne trade with Europe unless we have an alternative line on the left bank of the Euphrates.
- (9.) Until improvements are made, steamer freights are not likely materially to decrease.
- (10.) The irrigation of Mesopotamia will be a protection for India against famine.
- (11.) This report is only written from the commercial point of view.

I have, &c.

J. RAMSAY, Lieutenant-Colonel, Political Resident  
in Turkish Arabia, and His Britannic Majesty's  
Consul-General, Bagdad.

#### Appendix No. 1.

Notes of Information contained in the Evidence recorded by the Select Committee.

Surveys then existing.

Q. 48-50.—Colonel Chesney surveyed the whole route from the Mediterranean to the Persian Gulf; he surveyed and mapped the country from the Mediterranean to the Euphrates on the scale of 2 inches to the mile, and these surveys were then in possession of the Admiralty.

Q. 374.—In 1857 and 1865 Mr. Telford McNeill surveyed the harbour of Seleucia, and for a railway from there to Aleppo via Antioch.

Q. 668.—Mr. Thomas K. Lynch presented to the Geographical Society a map of the country between Hilla and Meshed (Nedjef), he thinks in 1845.

Page 81, Appendix 4.—Mr. W. J. Maxwell was sent out in 1870 to make surveys. He was employed by Mr. Telford McNeill and Messrs. Cutbill, Sons, and De Lundo. On the Euphrates he did not apparently go south of Belis.

Q. 58.—Mr. Latham made a reconnaissance survey from Alexandretta to Bussorah.

Q. 502.—Captain Felix Jones, at the time of the Persian expedition, made a survey of the Bussorah Bar.

Q. 1547.—Mr. Andrews stated that existing surveys of the difficult (i.e., Alexandretta-Aleppo) portions of the line were sufficiently detailed to enable a contractor to make an offer.

Q. 2069.—Sir R. Burton says that an American, Colonel Romer, made a survey of the country to Tyre and Tripoli.

Q. 2109.—This survey was contradicted by a survey made for the Duc de Luyne, but Sir R. Burton believed in Colonel Romer's work.

#### Estimated Cost.

Q. 432.—Mr. Telford McNeill estimated the cost of a 4 ft. 8 in. gauge railway, including stations, rolling-stock, &c., at—

	£
Alexandretta to Aleppo .. .. .	10,000 a-mile.
Aleppo to Euphrates .. .. .	6,500 "
Euphrates to the Persian Gulf .. .. .	8,000 "

The last item to include two bridges on the Euphrates. It seems that Mr. McNeill had never seen the site of the lower bridge.

The estimates were said to be both careful and generous.

A landing-stage at Alexandretta would cost 50,000*l*.

Q. 831.—Sir John McNeill said he would make a 3-foot gauge line from Alexandretta to the Gulf for 6,500,000*l*., including rolling-stock and interest on capital during construction.

Page 59.—Sir John McNeill gives details of his scheme, and says that he will work as engineer and take payment in shares at par.

Q. 1966.—Mr. Robert Fairlie describes his idea of a railway which could be made for 5,000,000*l*.

#### Prospect of Returns.

Q. 150.—Colonel Chesney thought that the railway would give a certain return.

Q. 750.—Mr. Lynch said that the country on the right bank of the Euphrates only wants water to make it productive; the Arabs find water at 12 feet.

Q. 415.—Captain Felix Jones says that if the railway was under British management the country would at once become populous. Expresses this opinion in spite of Sir H. Rawlinson's opinion to the contrary, because from Babylon to Belis there are the remains of large irrigating works, which time has scarcely ruined in any sense, showing that the country must have had enormous population.

Q. 487.—Considers Tigris less well cultivated than Euphrates valley.

Q. 8.—Sir H. Rawlinson was against the Euphrates line, because he said the country could never be rich.

#### Appendix No. 2.

Note on Condition of Country between Hit and Meshene during the Spring of 1908  
(May 8 to 18, 1908).

Meshene to Rakka: 60 miles by River.—There is much cultivation on both banks, the irrigation being done by "churada" (i.e., pony, pulley, and waterbag). Cultivation appears to have largely increased since 1872.

Rakka to Halabi Chelebi Hills: 30 miles by River.—A good deal of tamarisk and little cultivation. (Where tamarisk grows the ground is suitable for cultivation.)

Halabi Chelebi Hills to Deir: 72 miles by River.—Almost continuous cultivation is found on both banks, irrigation being done by charad.

Deir to 25 miles below Abu Kemal. Distance by River 111 miles.—There is extensive cultivation along both banks.

Above Spot to Nahaya. Distance by River 47 miles.—Little cultivable area and less cultivation, as the country is said to be frequently raided by the Delaim Arabs.

Nahaya to Ana. Distance by River 27 miles.—Above Nahaya there are ten water wheels, those on the right bank in good order, those on the left bank in ruins. Below Nahaya forty-five water wheels, of which twenty-six are in ruins. There are many water wheels in the town of Ana which were not counted. Date cultivation begins just above Ana.

Ana to Hit. Distance by River 98 miles.—The whole of this stretch is dangerous to navigation owing to the existence of submerged ruins, dams, and ruins of water wheels. Excluding the numerous water wheels in the towns of Ana and Hit the following wheels were counted (approximately):—

In work, 183.

Ruined, 48.

[1703]



<sup>10</sup> See Appendix, p. 13.



purposes, the advantages of which will accrue mainly to the Turkish Government, although the construction and management of the line may to some extent serve to maintain the prestige of the British Government in the Turkish Empire. We have no doubt that the line, if it were continued to the sea, either by the route of the German concession or by an alternative route, the section between Alexandretta and Bagdad would, we think, be likely to be for a long time a drag upon the prosperity of the country.

On the other hand, all the available evidence goes to show that a line from Bassorah to Bagdad would in all probability speedily become financially

at once of great use to the trade of both the United Kingdom

The success of two competing lines between the Persian Gulf and Bagdad is more problematical, and we believe that, should the present German concession be maintained, a British line might be gravely handicapped—first, by the fact that it would have to pass through districts in which less traffic would be available; and,

the absence of any independent continuations northwards of Bagdad, and into Persia. Nevertheless it seems probable that a concession, even if a competitive

from Bassorah to Bagdad would be of more value than a concession from Alexandretta to Bagdad—the latter, it must also be remembered, might be handicapped by the claims of the German concessionaires in virtue of their reversionary rights, under article 12 of the Bagdad Railway Convention of 1903, in regard to the construction of a branch line to the Mediterranean between Mersina and Tripo

We are therefore of opinion that, from every point of view (1) a concession for a railway between the Persian Gulf and Bagdad via Bassorah would be more desirable, and, so far as relates to the enrichment of capital, more practicable than a concession for a line starting from Aleppo or Alexandretta; and (2) so far as the Bassorah-Bagdad region is concerned, participation in the existing German concession would be more valuable than a concession for the construction of an independent line. To this extent, then, we are strongly inclined to favour the proposals contained in the original draft despatch to Sir G. Lowther, in preference to the alternative suggested as the result of Mr. Consul-General Ramsey's scheme.

Your Committee observe that both Sir G. Lowther and Sir Adam Black are of

the opinion that the proposed line would, on the whole, be inadvisable for His Majesty's Government to make their

revenue of the customs duties conditional upon the grant of any railway concession unless they are prepared to insist upon that condition being fulfilled.

After careful consideration, we recommend that the Turkish Government should be approached for—

should that be found necessary, with the present

a concession, the British concession to be without any financial guarantee from the Turkish Government, and the concessionaires to have the first option of prolonging the line subsequently along the Euphrates valley to the Mediterranean, should the development of irrigation and trade render such a course desirable.

(iii.) An undertaking that, in the event of a group of British financiers, formed with Government approval, being able to come to terms with the present German concessionaires for participation in the existing concession by the construction and control of the Bassorah-Bagdad section, the Turkish Government would abrogate in their favour article 29 of the concession, which prohibits any construction or working of the section southward of Bagdad until the railway has reached that city from the north. The Turkish Government should be requested to undertake, at the same time, not to abrogate article 29 under any circumstances other than those specified above.

We recommend that these proposals should be put before the Turkish Government as soon as possible, and before any reply is given as to the desired increase of customs duties; but that the two matters should be kept distinct, a favourable reply from the Turkish Government in regard to the railway proposals not being made pre-requisite to the sanction by His Majesty's Government of the increase of duties.

We understand that His Majesty's Government would be willing to guarantee a reasonable rate of interest on the capital invested by any British syndicate which might be formed; and, as we have already indicated, we do not think that the guarantee

would long be necessary. We have reason to believe that, under these circumstances, no serious difficulty would be encountered in the formation of a British syndicate.

We believe that the prospect of a rapid completion of the railway, with the additional prosperity which would follow, would be a strong inducement to the Turkish Government to accede to the British requests. On the other hand, the possibility of a competitive line southward of Bagdad, together with the knowledge that, should an arrangement be made with an English financial group, article 29 would be abrogated, and the completion of the whole railway and its full earning power thereby expedited, would, we think, render the German concessionaires willing to listen to proposals for British participation.

It may perhaps be desirable that, before any negotiations on the subject are undertaken, consideration should be given to the financial clauses of the present convention with a view to ascertaining whether, and if so to what extent, it may be advisable to offer to the Turkish Government or to the German concessionaires, or to both, a participation in the proceeds of the Bagdad Persian Gulf section.

We have, &c.

R. P. MAXWELL.  
R. RITCHIE.  
J. J. STANLEY.  
V. FYRELL.  
PERCY ASHLEY.  
R. C. LIN SAY.

#### Appendix

##### Memorandum on Railway Proposals in regard to Mesopotamia

THE following memorandum is concerned solely with the commercial possibilities of the three alternative railway proposals which have been placed before the committee. These are:—

- (i.) An attempt to participate in the existing Bagdad Railway Concession, by an arrangement with the present concessionaires to undertake the construction of the section from Bassorah by the right bank of the Euphrates to Bagdad (via Kerbelah) and, if possible, northward still to Mosul; with these would go also, if obtainable, a line from Bagdad via Khaukin to Kermanshah.
- (ii.) The construction of a railway from Bassorah to Bagdad, either to the east of the Tigris or between the Tigris and the Euphrates, with a branch to Kerbelah: this is to be in competition with the Bagdad Railway as already planned.
- (iii.) The construction of a railway from Alexandretta to Aleppo, thence to Mankene, and thence by the valley of the Euphrates, on the right bank, to Hit, and then across the river eastward to Bagdad, with the possibility of continuing the line to the Gulf. As regards the section Alexandretta-Aleppo, it is to be remembered that should the Turkish Government itself not build such a line a French company has the first right to a concession, and, should they not desire to exercise it, the right appears to revert to the German company.

The length of the railway from Alexandretta to Aleppo would be about 92 miles; from Aleppo to Hit about 380 miles; and from Hit to Bagdad about 100 miles—or say 600 miles in all. The railway distance from Bagdad to Bassorah (as contemplated by the German concession) is 350 miles; the distance would be about the same by a railway on the east of the Tigris; by a route across the plains between the rivers the distance would be about 280 to 300 miles.

In the almost total absence of any satisfactory statistical data, the considerations to be taken into account must necessarily be of a very general character; and in the first place it may be convenient to take the first two schemes, which may be called the "Gulf" schemes, together, and compare them with the third, or "Mediterranean" scheme.

In both cases what is desired is to increase British hold upon the trade of Mesopotamia, in view both of its present importance and of the probable expansion as the result of irrigation. At present the main route of trade into and from



Mesopotamia is by the Persian Gulf and the Tigris River; there is a large transit trade with Persia via Khairkin; some small amount of goods comes in from the north, via Erzeroun, Kharput, and Diarbekir, and there is a considerable traffic between Syria and Mesopotamia, via Aleppo, Meskene, and the valley of the Euphrates, to Bagdad (by caravans and boats), or via Beirut, Damascus, Karyatain, Mayadin, and the Euphrates valley (by caravans and boats also). No statistics are available of the amount and value of the trade which passes by these last three routes, but it appears to be quite small, relatively, to the traffic into and from Mesopotamia by the Gulf and Persian routes.

The Gulf railway schemes are based upon existing and well-ascertained conditions, and the speculative elements are very slight. Either of the lines from Bussorah to Bagdad would pass through a tract of country which by reason of the alluvial deposit is already very fertile, producing wheat, barley, and other cereals, rice, dates, and a considerable amount of sheep and cattle-rearing; there are large and important towns and a population growing with some rapidity, one part of the region (that around Kerbelah) is a very important pilgrim resort—80,000 to 100,000 pilgrims, mainly from Persia, and Persia, already passes through the country, and it seems to be well established that the present traffic facilities are totally inadequate, and finally, there is a fully-developed trade organisation ready to take full and immediate advantage of the economic expansion which is likely to follow upon the execution of the irrigation schemes, the improvement of agricultural methods, and administrative reforms. The value of the imports into Bagdad from Europe amounted in 1907 to 1,784,081L, and from India, China, and the Persian Gulf to 527,309L; the value of the exports to Europe and America amounted to 557,085L, and to India and China to 153,203L. In addition to this there were large shipments of grain by native craft, of which no details are available.

So far as construction is concerned, neither of the Gulf schemes presents any engineering difficulties, and accordingly, in view of the economic conditions and possibilities of the Bussorah-Bagdad region, there seems no reason to doubt that a railway there would speedily become remunerative, if it were not so from the first. Whether two competing railways would be likely to be financially successful, and if which will be countered later.

Turning now to the proposed Mediterranean route, it must be pointed out that the proposal is far from being a new one, that no new facts have so far been advanced in its support, and that it rests largely upon anticipations as to future possibilities, instead of upon present conditions.

(a.) Almost from the very commencement of railway enterprise the possibility of the construction of a railway from Alexandria along the Euphrates valley was contemplated, and finally, as Major Ramsay has pointed out, the matter was considered very fully in 1871, after the opening of the Suez Canal, by a Committee of the House of Commons, which took voluminous evidence, and received also, through the Foreign Office, a number of reports from consular officers and others acquainted with the country. The Committee of the present Bagdad Railway concession. Though they reported in favour of the T. V. L. they had any great confidence in the commercial possibilities of the scheme; they afford quicker passage for persons, troops, or mails, but they expressly stated that the to go (to India) by the canal, "leaving the light valuable goods, mails, passengers, troops, and treasure to go by rail." The decision of the Committee seems to have been determined largely by strategical considerations.

German made a preliminary survey of the Euphrates Valley route, but abandoned the idea of utilising it.

(b.) The evidence given before the Committee of 1871 showed that from Meskene, where the proposed line would strike the Euphrates, to Hit, which is the head of the fertile districts, the course of the river is through a valley of a few miles in width,

both sides arid prairie, which is covered in the spring months with a prolific growth of rank grasses. In 1871 it was stated that the prairie undulates greatly, and at every few miles forms gaps or wide ravines, which are flooded in the rainy season. There are scarcely any towns of any degree of importance, and the country as a whole is very sparsely populated. There is a considerable amount of sheep-rearing under difficulties. Between Aleppo and the Euphrates there is a gently undulating plain, mostly devoid of trees and with swampy valleys.

Major Ramsay quotes, in Appendix No. 1 to his despatch, some opinions as to the prospects of the railway, only one of which (that of Sir Henry Rawlinson) is antagonistic. He does not, however, refer to the Consular opinions collected by the Foreign Office, and a reference to these shows that there was a much stronger body of hostile opinion (represented by Lieutenant-Colonel Herbert, Consul-General at Bagdad, Mr. Consul Holmes, Mr. Vice-Consul Russum at Mosul, Mr. W. G. Palgrave, Mr. Consul-General W. and Mr. Consul Taylor) than would appear from the list of opinions cited by Major Ramsay. There was, in fact, a very marked divergence of opinion. It should be stated, however, that some of the advocates of the line, including members of Sir George Chesney's mission, based their case upon the possibility of reclaiming land, developing agriculture, and creating a population, and also upon the establishment and maintenance of order.

Major Ramsay's notes, in Appendix No. 2 to his despatch, do not add much to the information contained in the Report and evidence of the Committee of 1871, and apparently his observations relate almost solely to the country immediately on the banks of the river. The report by Sir William Wallace is lacking in exact datum, and it is not always clear to what part of the Euphrates valley he refers, nor is there any evidence in his memorandum that he has himself visited the country between Meskene and Hit.

(c.) The proposal, so far as the line from Aleppo to Hit is concerned, is then based on assumptions as to the probable economic developments which would be likely to follow upon the organisation of irrigation works, the growth of population, promotion of speedy success of a railway which are present in the district Bussorah-Bagdad are absent from the region of the middle Euphrates, and it must inevitably take a very considerable time to call them into being. The line presents no engineering difficulties of any kind, of 8,000L a mile along the Euphrates to the Persian Gulf, is scarcely likely to be exceeded at the present day. This would make the total cost of construction from remarks that "it is not suggested that it would be likely to do more than pay expenses, if as much, for several years after it was built." The German Bagdad line, tapping the Tigris at Mosul, has for the past several years been a great commercial success in regard to local traffic, a very great advantage.

Much of the earning capacity of the line would depend on the extent to which goods which at present go to or from Europe via the Persian Gulf would be diverted to the new route. This again is a problem for the solution of which there are no adequate data. But it may be pointed out—

- (1.) That, so far as India's trade is concerned, she has nothing to gain by the construction of a railway from the Mediterranean to Bagdad. The value of her imports into and exports from Bagdad have already been stated; with the economic development of Mesopotamia a considerable expansion of her trade there may confidently be anticipated; there is the important Persian trade; and it must also be remembered that, with the increase of production in Mesopotamia, she may be able, in times of famine, to supply the wants of the population of the region. The construction of railways in the Bussorah-Bagdad region is therefore likely to be of immediate and practical interest to Indian trade; but, on the other hand, it is not apparent that any direct benefit would result to her trade from the Euphrates route from Bagdad to the Mediterranean, since it is at best very doubtful if railway carriage for goods can ever compete successfully with water carriage to India.
- (2.) That, whilst the existing trade routes on the whole markedly favour British and Indian trade with Mesopotamia, the construction of the new route would help foreign competitors quite as much, if not more, than British traders.



- (3.) That any diversion of traffic might have a disadvantageous effect upon the finances of the Suez Canal;
- (4.) That so long as the Alexandretta-Aleppo section, the lines northward from Bagdad and from Bagdad into Persia, and the line from Bagdad to the Gulf were not in British hands, it would be possible for the companies working those lines to cripple, if not by differential rates then by methods of working, the utility of the Euphrates line to British traders.

The conclusion to be derived from the considerations which have now been set out appears to be that the construction of the Euphrates line from the Mediterranean to Bagdad would by itself be an enterprise from which little, if any, financial or substantial benefit to British trade would be likely to be derived for a considerable period, whereas the Bassorah-Bagdad line may be expected to be profitable from the outset and advantageous to the trade alike of the United Kingdom and India.

The foregoing remarks have been directed to the consideration of the relative merits of the railways to Bagdad from Aleppo and Bassorah respectively, and to the support of the contention that if a choice has to be made between the two, the advantage of the Bassorah route is very pronounced. There is, however, the possibility of a through line from Aleppo via Bagdad to Bassorah, much shorter than the line to be built under the present German concession. But it may be pointed out that in such a line the commercial advantages of the Bagdad-Bassorah section might be counterbalanced by the unprofitableness of the Bagdad-Aleppo section, and if the former section were competitive with the German line through the same region, its earning power would undoubtedly be much reduced. At an average cost of 8,000*l.* a-mile, the total cost of construction of such a line would be from about 7,500,000*l.* to about 8,000,000*l.*

Considerable as the trade of Southern Mesopotamia is at present, and large as are the possibilities of the future, it scarcely appears probable that there is room for two competing lines. The line to the east of the Tigris would be less competitive than that between the two rivers, but would have little, if any, advantage over the German route in point of length. The route secured for the German line to the west of the Euphrates has the very substantial advantage that it will draw to itself the large pilgrim traffic from Persia to Kerbela and the considerable trade which is growing up at that town; by either of the proposed British routes the railway would touch no considerable town, and would be largely dependent on the Mesopotamian trade.

Moreover, there would clearly be difficulty in the country there through which the line would pass, or is likely to be for a number of years, any large market for goods destined for any points beyond Bagdad would be through from Bassorah on one and the same—that is, the German—line. Similarly all goods coming for export from north of Bagdad would preferably go through to the Persian Gulf. It is clear that the British lines such as are proposed would be able effectively to compete by reduction of rates with a line which passes through a better part of Southern Mesopotamia, and also forms part of a larger system, drawing on a larger and more profitable area.

The cost of construction of a line from Bagdad to Bassorah has been estimated at about 8,000*l.* a-mile, which would mean a total of about 3,000,000*l.* if the route followed were the proposed German route to the west of the Euphrates, or the proposed British route east of the Tigris. At the same rate a line over the plains between the rivers would cost about 2,250,000*l.* to 2,500,000*l.* to construct.\* It may be observed that the difference in cost between the German concession line and the shorter competing line is probably not much more than 500,000*l.*, and that the earning capacity of either of the two competing lines, and particularly of the English line, would be very much less than that of the German line by itself.

On the whole, then, if it be decided, as appears advisable, to concentrate attention on the Bassorah-Bagdad region, it would be desirable that an attempt should be made to obtain participation in the German scheme; and if, failing that, efforts be made to obtain a concession for an alternative route, it should be on the distinct understanding that such a concession is sought because it is deemed necessary that British

\* The estimate of an average cost of 8,000*l.* a-mile was made originally in 1871, and was adopted again by the Inter-Departmental Committee of 1907. Though wages and salaries have risen considerably since 1871, prices have fallen, freights have decreased, and engineering science has progressed, and consequently it appears reasonable to accept the figure which was carefully calculated in 1871.

trade should possess an independent route into the heart of Mesopotamia, whether it be immediately remunerative or not.

Commercial Department, Board of Trade,  
June 1909.

[30257]

No. 4.

Sir A. Block to Sir C. Hardinge.—(Received August 11.)

(Confidential.)

My dear Hardinge,

Constantinople, August 5, 1909.

I ENCLOSE, for your information, a copy of a short memorandum on the Bagdad Railway which I wrote for the Ambassador.

Yours ever,  
ADAM BLOCK.

Enclosure in No. 4.

Memorandum by Sir A. Block.

(Confidential.)

M. HUGUENIN, director-general of the Anatolian Railway, called on me to-day (the 4th August), and opened the conversation by asking if I was negotiating on the part of the National Bank for a loan of £ T. 20,000,000, secured on the 4 per cent. customs increase. I said that negotiations had not commenced, but that naturally the National Bank would hope to participate in any loan operations in the future. At the same time I said I believed that the Government had expressed the intention of pledging this increase of customs for a loan, and that I had been told that the German Ambassador had expressly stated that the Government would not claim the proceeds of the 4 per cent. for the Bagdad Railway. He did not seem quite pleased with this, but admitted that the Bagdad Railway Company would have to put up with the loss of this revenue. M. Huguenin continued that seeing the drop in the receipts of the public debt administration of last year (£ T. 150,000, including £ T. 38,000 of the Anatolian tribute which will be recovered, so that the net decrease is £ T. 112,000), and hence in the surplus of the debt revenues assigned to the Bagdad Railway, the Germans had realised with regret that all their calculations as to the means of constructing sections 4 and 5 (series 3) from Aleppo to Helié had been upset. He was somewhat consoled upon learning that in the first four months of this year, according to telegraphic information, our receipts had increased £ T. 100,000, but he still considered the outlook as anything but hopeful for the railway.

I explained to him the situation as follows:—

	£ T.
1. Interest on construction loan, say, £ T. 44,000 for working expenses (2,500 fr., or £ T. 110 x 400 kilom., £ T. 44,000), or in all £ T. 244,000.	244,000
2. The Government only pays when the railway is constructed and working, the money would probably not be required at that moment, and, if it was, there were supplementary guarantees, such as the sheep tax of the vilayets of Konia and Aleppo, on which a	100,000
	144,000

This will be available for his railway, for which he requires as far as Aleppo £ T. 200,000 as interest on construction loan, and, say, £ T. 44,000 for working expenses (2,500 fr., or £ T. 110 x 400 kilom., £ T. 44,000), or in all £ T. 244,000. As the Government only pays when the railway is constructed and working, the money would probably not be required at that moment, and, if it was, there were supplementary guarantees, such as the sheep tax of the vilayets of Konia and Aleppo, on which a

\* I have left out of account the advances of the Anatolian Railway Company on the supposition that other arrangements could be come to between the Government and the company as to the date and manner of their reimbursement. They amount in all to £ T. 630,000, of which £ T. 300,000 is payable after the expiry of Series II of the Bagdad Railway.

(1703)

J



further sum of £ T. 40,000 had been set free for forty years by the recent arrangement with Russia regarding the war indemnity :-

	£ T
In 1910-11, taking the surplus again at .. .. .	500,000
Government's share .. .. .	375,000
Less permanent charges .. .. .	139,000
Remains .. .. .	256,000

And the same sum will be available in future years.

This is almost sufficient for the Germans as far as Aleppo, and as soon as the reserve fund of the debt amounts to £ T. 2,000,000 (namely, in 1911) the interest thereof is paid into the general receipts, and the surplus will increase by, say, £ T. 80,000, of which the share of the Government is £ T. 60,000 available again for the railway. M. Huguenin agreed with these figures, but he said that that would only take the Germans to Aleppo. For the next two sections there was no money, unless the revenues of the debt increased or unless when the definite contract came to be signed for these two sections the Turks gave fresh revenues. He thought that the debt revenues would gradually increase, but unless there was a modification of the tobacco monopoly or the spirits tax he did not foresee an increase which would provide the £ T. 4,000 for the third series (sections 4 and 5) for some time to come. He stated that the Germans would have the revenues arising from the creation of monopolies, which might help them. Thus, I admit, is new to me, but he spoke of it with assurance and it is therefore a possibility that the Turkish Government should only be given on condition that the product is to be applied to purposes of general State expenditure.

From the above it is evident that in M. Huguenin's opinion there is no chance yet of the surpluses of the debt revenues being sufficient for the fourth and fifth sections.

In my opinion the following points should be kept in mind :-

1. The construction of the fourth and fifth sections of the Bagdad railway is a matter of time, and it is probable that they will be completed within a few years without demur. Under present conditions I don't think they will be rushed, nor show any eagerness to set aside funds for the purpose.

Series 2 is practically an accomplished fact, but Series 3 is a matter of "longue hale."

2. I consider that normally the Public Debt revenues will slowly increase, and will eventually suffice for sections 4 and 5.

3. There is a possibility of abnormal increase by altering the system of the tobacco monopoly or by modifying the tax on spirits.

4. In view of M. Huguenin's uncertain attitude as to the destination of the increase of Customs, a solemn declaration should be obtained from the Turkish Government that the product thereof shall not be assigned to the Bagdad railway either for sections 2, 3, 4 and 5, or for other sections.

5. An engagement should be required from the Turkish Government that the revenue from the customs on imports shall also not be assigned to the railway before or after the expiration of seven years shall also not be assigned to the railway.

6. That the consent of the British Government to the creation of new monopolies should not be given unless the product of these new monopolies should be assigned to the general expenditure of the Empire, and not to the railway.

These demands are the more legitimate that the Turkish budget of this year shows a deficit of £ T. 5,000,000, and will have to be covered by proceeds of loans or from extraordinary sources; not only will this be so this year, but perhaps for several years to come. To assign revenues for the Bagdad Railway under such circumstances would be an act of folly, which every Government desirous of seeing the establishment of a sound financial policy in Turkey would be justified in pointing out and preventing.

If the product of the 4 per cent. is to be applied to the railway, it is urged on the Porte that at least 50 per cent. of the loan shall be placed in London. The 4 per cent. might produce a loan of, say, £ T. 20,000,000. British trade is by far the most important in Turkey, and it would not be fair to the British Government to give an opportunity of a large lucrative and sound operation with money derived chiefly from British trade.

It is in my opinion advisable that the 4 per cent. should pass through the hands of the British Government. I think the French and the German Governments would agree to this if they were approached; probably also Italy and Austria, as by this means 25 per cent. of the money would go to the extraordinary sinking fund of the Unified Debt and Lots Turcs. The advantage to the Turks is twofold -

- Increased security for the loan, and hence better terms;
- Increased rapidity in the amortisation of the debt, and in regaining their financial independence.

I have privately pointed out this advantage to the present Minister of Finance, who did not seem averse to the strict observance of article 8, section 3 of the decree of March 1898, although he said it would considerably diminish the amount of the loan if 25 per cent. of the 4 per cent. increase of duty was to be applied to sinking fund purposes.

ADAM BLOCK.

Constantinople, August 4, 1900.

[27901]

No. 5.

Sir Edward Grey to Sir G. Lowther.

(No. 245. Secret.)

Foreign Office, August 18, 1900.

Sir, YOUR Excellency is aware that the question of railway communication between Bagdad and the Persian Gulf has been recently under consideration by an Inter-Departmental Committee. The Committee has reported to the Committee of the Turkish customs duty on imports. A copy of the report of the Committee, whose recommendations I have approved, is enclosed herewith.

I have to request you to apply to the Turkish Government for a concession for a railway between Bagdad and the Persian Gulf via Basorah and the Tigris valley, the concession to be without any financial guarantee from the Turkish Government, and the concession to be subject to the condition that the railway should be developed of the Euphrates to the Mediterranean, should the development of irrigation and trade render such a course desirable.

It might be worth considering by your Excellency whether, in the first instance, it would not be as well that the Turkish Government should be sounded by Sir A. Block, or by some other person unconnected with His Majesty's Embassy in whom the Turkish Government are formally committed to the proposal. I leave, however, the whole question of procedure to your Excellency's discretion.

The question of the consent of His Majesty's Government to the proposed increase of the customs duty on imports will be treated in a separate despatch.

I am, &c  
E. GREY.

[31619]

No. 6.

Sir G. Lowther to Sir Edward Grey.-(Received August 23.)

(No. 660.)

Therapia, August 13, 1900.

Sir, I HAVE the honour, in reference to my despatch No. 375 of the 25th May last to you, to transmit herewith further contributions to the correspondence on the subject of the Bagdad Railway, which I have received from His Majesty's consul-general at Bagdad.

I shall refrain from forwarding any comments on these despatches until I have had an opportunity for discussing them with the commercial attaché to this embassy, who should return to Constantinople shortly.

I have, &c  
GERARD LOWTHER.



## Enclosure 1 in No. 6.

Consul-General Ramsay to Sir G. Louther.

(No. 735/79.)

Sir,

Bagdad, July 9, 1909.

I FORWARDED to your Excellency, as enclosure No. 3 to my despatch No. 251/25, dated the 10th March, 1909, a memorandum drawn up by Sir William Willcocks on the advantages of establishing direct railway communication between Bagdad and Alexandretta via Aleppo. I have now the honour to enclose a further memorandum by Sir William dealing with the same subject, with the practicability of railway communication between Bagdad and the Hui branch to Naama, Ur, and Zobeir to Bussorah. It might be raised for a railway and for the Kut Barrage.

I understand that Sir Ernest Cassel is at the present time the financier who is most likely to take a leading part in any negotiations for rendering pecuniary assistance to Turkey, that Sir William has worked with him for many years in Egypt, and that consequently Sir William's opinion on the question of security for a loan or for money spent are likely to carry great weight. I think it is fortunate that he has suggested a method by which the capitalists and the Turkish Government will be partners; for such proposals, if accepted, will convince the Government that, in the best expert opinion, the schemes proposed are sound. If objection is taken to placing so much land as Sir William proposes in the hands of foreign capitalists, it could no doubt be arranged that the land should be sold in small lots within a given period, say, fifty years.

Regarding the Aleppo-Alexandretta section of the railway, there is one point to which I have not seen any allusion. The Germans, under the terms of their concession, have a right to take their line to Aleppo, and they have certain qualified rights to the construction of any line joining their railway to the sea. As far as I can understand they would have no concessionary right if it was decided to join Alexandretta to the Aleppo-Beyrouth Railway, say, to take an extreme case, half a mile south of Aleppo, for in that case the line to Alexandretta would not be joining the German Railway to the sea.

I have, &amp;c

J. RAMSAY, Lieutenant-Colonel, Political Resident  
in Turkish Arabia, and His Britannic Majesty's  
Consul-General, Bagdad.

## Enclosure 2 in No. 6.

Further Memorandum by Sir W. Willcocks on Possible Railway Communications in Mesopotamia

I WRITE this in continuation of my memorandum on the true development of Mesopotamia depending on a line of railway from Bagdad to Alexandretta, via Aleppo. I have, in the memorandum, stated my opinion on the subject, and I repeat it here.

After careful examination of the question of railway communication between Bagdad and Bussorah, I have come to the conclusion that there are only two alignments possible. The first, via Musayib, Karbala, Nadjef, Ur, and Zobeir, to Bussorah, which is practically the line of the proposed German Bagdad Railway; the other via Koot, the Hui branch to Naama, Ur, and Zobeir to Bussorah. Swamps, deserts, marshes, and inundations, would interfere with any other alignment; but the above two could be constructed fairly cheaply and maintained at reasonable cost. The first might be constructed to-day, but would be a very unremunerative line, except in the reach from Bagdad to Nadjef. The line via Kut and the Hui would be of no value until the irrigation of the country was undertaken, which would immediately follow the construction of the Kut Barrage. Both lines of railways would have to compete heavily with river transport in an exceedingly flat country (Bagdad is only 115 feet above sea level), where navigation would become very cheap the moment regular freights offered and competition supervened. In this connection it might be useful to note the question of liquid fuel and the development of the oil fields on the Karun River. The present cost of transporting oil from the Karun to Bagdad is about 1000 to 1200 tows, and it is probable that, if the railway were constructed, it would exist on extraordinarily high rates.

With the best information at my disposal I estimate as follows: By river from Bagdad to Kut is 220 miles, from Kut to Bussorah along the Hui and the new channel which the Euphrates is cutting out for itself is 225 miles, or 445 miles in all.

By railway from Bagdad to Kut, along the right bank of the Tigris, would be 310 miles in all. As the railway must necessarily cross the river in this flat delta of the Euphrates, where the fall from Bagdad is only 115 feet, the competition would be exceedingly severe.

The Tigris between Kut and Bussorah, as it exists to-day, is a very poor river for navigation. Leaving Kut with a width of about 1,000 feet and depth of 25 feet, before reaching Amarah it loses five-sixths of its water in flood times, owing to overflows and deep offshoots, of which the Hatera on the right and Chula on the left are the principal. Below Amarah the width is about 500 feet, but the river is comparatively a straight line. At Kala Saleh it loses nearly the whole of its water through an overflow, on the left, while its channel dwindles down to a width of about 200 feet, and its depth in flood to 10 feet, and about 6 feet at low water. Down stream of Kala Saleh, fed by numerous intakes from the marshes, it gradually increases to a width of 500 feet with a depth of 15 feet.

To build works at the heads of the branches or offshoots of the river, which between them take about 175,000 cubic feet a second (or very nearly the whole discharge of the river at Bagdad), would cost at least 250,000, and there would always be the danger that, no sooner had one branch been controlled, the river might cut a channel for itself at some neighbouring place. For it must be remembered that in the neighbourhood of Amarah the Tigris is only some 800 years old, and is practically a deltaic embankment through continuous marshes with its water surface some 6 feet above the level of the sea. Its channel altogether and flowing bodily into the marshes.

The true channel for navigation is the Hui branch, which has been the main channel of the Tigris for thousands of years, and which could again be made the main channel by the construction of the Kut Barrage, which would insure sufficient water both for navigation and for the irrigation of some 2,000,000 acres of the rich highly-lying lands of Lower Mesopotamia.

For the development of the country on natural lines, and the execution of works which would be profitable alike to the concessionaire and the country (for there can be no really true difference between them in honest undertakings) the true solution lies in the construction of a railway from Alexandretta on the Mediterranean, via Aleppo, Bagdad, with the establishment of river transport between Bagdad and Bussorah along the Hui branch.

The Kut Barrage project which I have proposed will cost 600,000, and the dredging and encouraging of the Euphrates to establish its channel will probably cost 200,000. A concession for the execution of such works might be given all the abandoned and swamped lands between Kut and Bussorah, which would be a veritable garden. These lands were known in early Moslem times as one of the four terrestrial paradises.

The railway from Bagdad to the Mediterranean, following the shortest route to Europe, which is the natural market for the products of Mesopotamia, and also the source from which its outside wants are supplied, would, I think, be of itself a profitable undertaking. But to make the project complete, I think a concession should be asked for a railway from Alexandretta to Bagdad via Aleppo, a steamer service on the Euphrates and Tigris, the construction of the Kut Barrage, with half the double title which the State would take from land irrigated by free flow on the Hui Canal, and all the Government waste lands between Ur, Bussorah, Zobeir, and Fao. The development of these lands will be hurried up by a cut from the Euphrates to the Khor Abdulla, where the mean sea level is two feet lower than it is at Bussorah, and by which a navigable connection will probably be soon established with the Persian Gulf through the Khor (see the 3-fathoms line on the map).

I enclose a map.

W W



## Enclosure 3 in No. 6

Consul-General Ramsay to Sir G. Lowther

(No. 738 80.)

Sir,

Bagdad, July 10, 1909.

WITH reference to your Excellency's despatch No. 27 to the Foreign Office, I have the honour to submit a memorandum dealing with the question of direct railway communication between Bagdad and the Mediterranean Sea.

I have, &amp;c.

J. RAMSAY, Lieutenant-Colonel, Political Resident  
in Turkish Arabia and His Britannic Majesty's  
Consul-General, Bagdad

## Enclosure 1 in No. 8

Memorandum by Consul-General Ramsay

I HAVE received a copy of his Excellency the Ambassador's despatch No. 375, dated the 25th May, 1909.

There are one or two points on which I am afraid that I did not make myself sufficiently clear in my original despatch No. 251 25, dated the 10th March, 1909, and as the matter is a very important one I venture to offer some further explanations and remarks for his Excellency's consideration:-

(a.) I did not mean so much that the Germans would be able to manipulate rates to such an extent as to make the all German route the cheaper, but that they could by charging high rates on the Aleppo-Alexandretta section unreasonably increase the freight, and consequently reduce the price of produce in Mesopotamia, and with it the return on irrigation works. To make the all German route actually the cheaper would probably not suit them, but it would be delightfully ample for them to levy a heavy toll on all goods passing to the sea.

(b.) Sir Gernd Lowther has assumed that if the French and German railways come to terms about the Aleppo-Alexandretta Railway the former will certainly concede for favourable tariff treatment. If the matter was not of great public importance I should not venture to question the correctness of this assumption; but in the circumstances I humbly suggest that the assumption may not be correct.

Suppose the through rates on the Aleppo-Alexandretta section are lowered, as has been assumed; what is likely to be the effect of this on the French port of Beyrouth, and on the Beyrouth-Rayak section of the railway? I understand that Alexandretta has great natural advantages over Beyrouth, and if the former becomes the terminus of two great trunk lines from Haifa at Pasha and Bagdad there is little doubt that the artificial facilities will be superior to those at Beyrouth. Also the larger traffic will attract more tonnage, and it seems to me that the result of cheap rates on the Aleppo-Alexandretta line would be to ruin Beyrouth and the Lebanon section.

It appears much more likely that the German and French, if they come to terms at all, will agree to very high rates on the Aleppo-Alexandretta section. By this means less injury would be done to Beyrouth and the Lebanon Railway, while the Germans would console themselves for small losses on this account by cutting into the profits of the Bagdad Aleppo Railway, and of the irrigation works. I think, therefore, that unless we make an effort to get this line for ourselves, or for the Turks, or for others on conditions as to freights which are reasonable, we stand in danger of letting others reap where we have sown (and watered).

(c.) Even in the matter of minimum freights I think that the Germans must have a word to say. The  $\text{£ T.} = 4,000$  paras for railway purposes, and if it is taken to be worth  $18s. \frac{9}{16} \times \frac{18 \times 12}{1} = 5134$  pence a mile.

The average Indian rate for all goods carried, small and great, long distances and short, is 421 pence a mile.

(d.) If existing rights on the Alexandretta-Aleppo line hamper us too much, we can turn the flank of both German and French competitors and give most valuable

assistance to the Turkish Railway by taking our line from Deir to Damascus, thence to join the line to Haifa. I see that the Damascus Trade Report for 1892 describes Haifa as a partially protected harbour.

J. RAMSAY, Lieutenant-Colonel, Political Resident  
in Turkish Arabia and His Britannic Majesty's  
Consul-General, Bagdad

Bagdad, July 10, 1909.

[32962]

No. 7

Sir G. Lowther to Sir Edward Grey.—(Received September 1.)

(No. 306.)

(Telegraphic.) P.

Constantinople, September 1, 1909.

THE Minister of Public Works' methods of doing business have been impugned by the Committee of Union and Progress, and he seems about to fall. No action can be taken for the present on your telegram No. 633 of the 30th ultimo, regarding Tigris railway concession and Lynch's scheme, as the Grand Vizier will be absent from the capital with the Sultan for about a week.

[33075]

No. 8.

Sir G. Lowther to Sir Edward Grey.—(Received September 2.)

(No. 307.)

Constantinople, September 2, 1909.

Referring to your despatch No. 245, I would be glad to know how to reply to the first request which the Turkish Government will certainly make when I apply for the proposed concession, if they incline to give it favourable consideration, viz., for some guarantee of the stability of the concessionaire, whose name they will also desire to know.

[34396]

No. 9.

Sir G. Lowther to Sir Edward Grey.—(Received September 13.)

(No. 321.)

(Telegraphic.) P.

Constantinople, September 13, 1909.

TIGRIS Railway concession.

On my enquiry to-day as to whether such a concession could be granted in principle by the Ottoman Government the Grand Vizier replied that he took act of

approached the various Ministers individually and confidentially. He added that he was ready to consider the proposal favourably, but that, in the event of the Germans being irritated by it, as it was possible they might be, and consequently creating internal and external difficulties here, as was in their power to do, English support and goodwill would become more than ever necessary to Turkey.

He led me to expect an answer of the delay of about a week.

Reference is to your despatch No. 215 of the 18th August and your telegram No. 665 of the 9th September.

[35011]

No. 10.

Sir G. Lowther to Sir Edward Grey.—(Received September 20.)

No. 746. Secret.)

Sir,

Thessalonica, September 14, 1909.

IN obedience to the instructions contained in your despatch No. 245, Secret, of the 18th August, and your telegram No. 665 of the 9th instant, I yesterday asked the Grand Vizier whether the Turkish Government would be disposed to grant in



GERARD LOWTHER

1703



which the country needs. The hopeless condition of affairs in the delta is in large measure due to the fact that the principal productions of Irak have their markets in the Eastern Mediterranean and in Europe, and it is from these same countries that Irak requires its imports, while in this direction there is no outlet. I am in entire accord with this opinion. The principal productions of the country—sheep, cattle, buffaloes, wool, liquors, wheat, barley, and rice—all want to go westwards; and it is to the lack of means to export these cheaply and to import cheaply the productions of Europe that the present deadlock is due. Immense areas which could be cultivated are not cultivated because the price of transport is prohibitive. It is not, however, only the trade of Irak which would feed this railway, the trade of Persia would follow the route, and especially of Muslim pilgrims from Central Asia and Persia to the holy cities of Islam. This latter traffic would assume such proportions that the Hedjaz Railway would become remunerative and relieve the Treasury and country of a heavy burden. The railway would also attract European and American travellers, who would come in thousands to see Bealbek, Palmyra, the site of the Garden of Eden, and the ruins of ancient Chaldaea and Babylonia. These same travellers would see the possibilities of the country and capital would follow them.

The proposed line of railway, from Hit to the sea, would follow the Euphrates at Fehja, and keep in its course a distance of 170 kilom., at Hit the railway would leave the Euphrates and cross the level desert by a straight line to El Kaim, near Abu Kimal, where the cataracts end. From El Kaim upwards the Euphrates has no cataracts, while the valley from Der Zor to El Kaim past Mayadin (the ancient Rehoboth) and Abu Kimal is free of cataracts. All the productions of this region capable of great development would reach El Kaim by boat and be from there transported along the old trade route across the level desert provided with wells. At Palmyra are springs. From Palmyra the railway would go to Hama on the Damascus-Aleppo Railway. The railway from Hama to Tripoli on the Mediterranean has been approved and will soon be executed by the company owning the Damascus-Aleppo Railway, and may be considered as completed as far as this railway is concerned.

When trade is developed, a branch could be run to Damascus from Palmyra, putting Beirut and Haifa in direct communication with Bagdad. The length of the railway from Palmyra to Damascus would be 200 kilom.

The distances work out as follows:—

Tripoli to Hama	170
From Hama to El Kaim	170
El Kaim to Hit	170
Hit to Bagdad	930
<b>Total</b>	<b>510</b>

From Bagdad to the sea by railway will be 930 kilom., of which 820 kilom. remain to be completed. The distance from Hit to the sea will be 760 kilom., or 425 miles when the railways are completed.

The Hedjaz Railway and the railways from Beirut to Damascus and Haifa to Damascus have a gauge of 1.03 metres (3 ft. 6 in.), while the Hayak-Aleppo line and the line from Tripoli to Hama have a gauge of 1.44 metres (4 ft. 8½ in.). All the South African railways, the East African Railway, and the Soudan railways have a gauge of 1.03 metres (3 ft. 6 in.), which is considered an excellent gauge by many experts for lines crossing long stretches of barren country and connecting important trade centres to each other.

I estimate the cost of a railway from Hama to Bagdad, including ample waterway for the boats (see page 27), at £ T. 2,750,000. I recommend American practice in these pioneer railways and not European practice. The total cost from Hama to Bagdad works out to 820 kilom. at £ T. 2,750,000 or £ T. 2,255,000.

Traders at Bagdad estimate that such a railway would transport in its first year from Bagdad alone to Damascus—

First-class passengers	1,000	6
Horses, cattle, and buffaloes	27,000	4
Sheep, calves, and goats	100,000	1
Wool	1,000	1

The traders estimate that this trade would bring in £ T. 110,000. In addition to this there would be the passenger and pilgrim traffic back to Bagdad, the imports into the country from Europe, including coal, and the local trade between the different stations, and the imports and exports at El Kaim station. Hit would supply bitumen and stone to the Tigris, and Bagdad would supply Mosul timbers to the Euphrates.

Taking everything into consideration we may count on a total gross revenue of twice £ T. 110,000, or £ T. 220,000. With such earnings the working expenses would be 50 per cent., or £ T. 110,000 leaving £ T. 110,000 as the net profit before the great irrigation works began to have their effect.

The moment the railway was open the whole country along the Euphrates would be rich. The land would find itself gifted with cheap transport, and for one acre cultivated to-day a dozen would be cultivated to-morrow. Buffalo-rearing in the marshes would assume great proportions. Whatever system of irrigation may be adopted, it must never be forgotten that Mesopotamia will always be a great centre of live-stock production, and the whole of this stock will have its outlet on the Mediterranean. Once irrigation is introduced, live-stock will increase faster in numbers than the cereal crops and cotton will in area. The soil and water with their 15 per cent. lime are favourable to the rearing of animals, and so are the great steppes which surround the country, and which may one day be covered with herds of ostriches, as in South Africa.

### 3. The Irrigation Works to be immediately executed.

Certain of the irrigation works should be undertaken immediately, to ward off dangers and ensure the country against inundations, which, if allowed to continue, would doom every irrigation scheme in the delta to failure.

The works which fall within this category are three in number, viz., the Hindia barrage works, the Habbaniya-Sakhlawiya works, and the Tigris navigation works near Amara.

I have written of these works so fully in my reports Nos. 1, 2, and 6, that I need not recapitulate here.

1. *The Hindia Barrages on the Euphrates.*—The total estimate amounts to £ T. 352,440. These works should be undertaken and carried on with all the vigour the State is capable of. To allow the Babylon branch of the Euphrates to completely disappear would be a national disaster which would hurt the Government throughout the whole Arab world. The loss of revenue on this branch has been £ T. 50,000 per annum since the river began to change its channel.

2. *The Habbaniya-Sakhlawiya Works on the Euphrates.*—The total estimate amounts to £ T. 345,840. The day these works are carried out the whole delta of the Euphrates will be free from the danger of inundations, and I speak with some knowledge when I say that the revenue of the delta will be doubled without the execution of any other works. Every high flood on the Euphrates, since the closing of the Sakhlawiya branch by Muhsin Pasha, has worked a havoc which has discouraged agriculture along 300 kilom. of the river, and three high floods come on an average once in three years. They come they completely destroy what is sown. If the Sakhlawiya branch were left open the crops would not be destroyed, but half of Bagdad would be under water. The only solution for the difficulty is the one I propose. If Noah had been an engineer he would have carried out the Habbaniya project instead of building an ark; and he would not only have saved his family, but his country as well.

3. *The Tigris Navigation Works near Amara.*—These works are estimated to cost £ T. 70,100, and are recognised as urgent by everybody. The day the Tigris crosses its old channel, it will be navigable to-day except for small boats.

The Tigris has left its channel of centuries, and is not navigable to-day except for small boats.



The estimated cost of the two works on the Euphrates is £ T. 698,280, and of the works on the Tigris £ T. 70,100, or £ T. 768,380 in all.

No time should be lost in the construction of these works, as the position is daily aggravated. I propose to the Government to carry out these works by Government agency until contracts have been written with solid contractors of good repute; and when the contracts are written the contractors will take over what we have done at the cost we have incurred. We know our business and will waste no money. We shall insist on contractors whose names command respect in the financial world, for the great financiers look as much to the reputation of the contractors who are going to carry out the works as they do to the remunerative nature of the works themselves.

I request immediate sanction to my proposal and a grant of £ T. 25,000 for this financial year, £ T. 150,000 for the following year, and £ T. 600,000 during the two following years, or £ T. 768,380 in all.

These are the preliminary works on which will be based the regeneration of the country.

### 3. Works designed and estimated in 1908-9.

The works surveyed, designed, and estimated during the year 1908-9 are the following:—

On the Euphrates—					£ T.
1. The Huma barrage	..	..	..	..	352,440
2. The Habbaniya-Sakbiawia works	..	..	..	..	848,640
3. The Fatha barrage	..	..	..	..	265,600
5. Half the Bagdad navigable canal	..	..	..	..	72,160
Total	..	..	..	..	1,538,840

On the Tigris—					£ T.
4. The Koot barrage	..	..	..	..	77,200
6. Half the Bagdad navigable canal	..	..	..	..	72,160
7. Tigris navigation works	..	..	..	..	21,000
8. Basid barrage	..	..	..	..	77,200
Total	..	..	..	..	1,78,560

The total cost, £ T. 2,144,540.

### 4. Programme for 1900-10.

The works in hand are the following, and their cost, roughly estimated, is as below:—

On the Euphrates—					£ T.
1. Huma barrage canal system	..	..	..	..	1,100,000
2. Fatha barrage canal system	..	..	..	..	200,000
3. Basid barrage canal system	..	..	..	..	400,000
4. Basid barrage	..	..	..	..	77,200
Total	..	..	..	..	1,777,200

On the Tigris—					£ T.
5. Koot barrage canal system	..	..	..	..	1,200,000
6. Basid barrage canal system	..	..	..	..	400,000
7. Basid barrage	..	..	..	..	77,200
Total	..	..	..	..	1,677,200

The grand total works out to £ T. 1,538,700

### Works estimated in 1908-9 and the Programme for 1900-10 continued.

The works on the Euphrates will therefore amount to £ T. 1,856,760, and on the Tigris to £ T. 1,820,480, or £ T. 3,677,240 in all. The area irrigated on the Euphrates will be 1,000,000 acres, and on the Tigris 300,000 hectares of which a large part will be date groves and gardens. The taxes may be estimated at £ T. 750,000 per annum.

I have, &c.

W. WILLCOCKS.

(38405)

No. 14.

Mr. Edward Grey to Sir J. ...

(Private)

Sir,

Foreign Office, October 28, 1909.

I ASKED Count Metternich to come to see me to-day.

Herr von Schöen had mentioned our opposition to the Bagdad Railway as one of the things which caused irritation. I would therefore take this opportunity of explaining why it was impossible for us to agree to the 4 per cent. increase of the Turkish customs duties without a promise that the additional revenue would not be used for the Bagdad Railway. About one-third of the increase of the duties would fall on British trade, and this in itself would be much disliked. But if the money thus secured at the expense of British trade was to be used to make a new through-route to the East and to the Persian Gulf, a route of communication which would supersede all others in carrying trade from the Persian Gulf into Mesopotamia, and all this under the exclusive control of the German Power, then the position of a British Government which had agreed to the Bagdad Railway would become untenable. It was therefore impossible for us to agree to the increase of the Turkish customs duties unless we had proper safeguards against the use of the additional revenue for the purpose of displacing British trade in Mesopotamia. We felt that we must either have a part in the Bagdad Railway itself, or we must have a concession which would enable us to establish other means of communication by which we could trade with Mesopotamia on equal terms.

As to the participation of France and Russia in the Bagdad Railway, I knew that Count Metternich had objected to a discussion *à quatre*, because such a discussion would put Germany in a minority. But I explained to him that this had not been our object in proposing the discussion. French financiers had already

before I came into office, and it was certainly not I who had taken this position. We had on previous occasions been instrumental, or been supposed to be instrumental, in carrying the Russian plans for securing outlets on the sea, first in the case of the Mediterranean, and then in the case of the Far East; this had caused much ill-will in Russia towards us. Now we had succeeded in overcoming this ill-will, and I was very anxious not to revive it as regards the one remaining

the Bagdad Railway, when Russia was opposed to it and excluded from it. I had told the Russian Government more than once that I thought they ought not to oppose, in principle, the construction of the Bagdad Railway, but ought instead to make up their minds as to the terms on which they could join in the project. I did not think it would be impossible for the German Government to overcome this difficulty of Russian opposition. Indeed, I knew that before the visit of the German Emperor to this country Herr von Schöen had spoken to the Russian Government on the subject.

I told Count Metternich that my object in giving these explanations to the German Government was to prove to them that our action was not dictated by ill-will to Germany, but by the necessity of the case, and that the attitude we were obliged to take up with regard to the increase of the Turkish customs duties was not an attitude taken up behind the back of the German Government in a way to cause irritation and introduce friction into what we hoped would be a friendly discussion.

Count Metternich replied that there would be no objection to British financial co-operation in the Bagdad Railway, but Germany must have the control, in the sense of having a majority on whatever Railway Board controlled the line. He asked me whether we should be satisfied with some measure of control on the southern section of the railway.

I told him it was the southern part that interested us principally.

He asked how much we meant by the southern section, because he thought that the part of the line that went through Mesopotamia would probably prove to be the most valuable part of the whole line.

I replied that this was a question for experts at a later stage in the discussion.

Count Metternich then asked whether we intended, touch Russian territory, or prevent Russia from making a separate outlet for herself to the Persian Gulf.

I said that this was no doubt the case, but in my opinion the Russian needs would best be met not by the making of a separate route to the Gulf, but by establishing,



under Russian control, connections with the Bagdad Railway. This would give Russia an interest in the outlet created by the Bagdad Railway.

Count Metternich asked whether, if participation was arranged for us, we should be willing that the additional revenue secured by the 4 per cent. increase should be used to make the Bagdad Railway.

I answered that if we came to an agreement about participation we should, of course, not wish to hinder the progress of the railway; but we had promised the new régime in Turkey that we would not apply for any kilometric guarantees in connection with concessions in which we were interested, and therefore we could not press the Turkish Government to allocate any more of their funds to kilometric guarantees. I should have to consider how far this question was involved in the further progress of the Bagdad Railway.

I am, &c.

L. GREY.

[39959]

No. 15.

*Mr. Marling to Sir Edward Grey. — (Received October 31.)*

(No. 346.)

(Telegraphic.) P.

Constantinople, October 31, 1909

WITH regard to the question of British participation in the Bagdad Railway, the Grand Vizier told me of his own accord yesterday that he understands that the Germans are ready to agree to participation, the basis of the agreement being an equal number of English and German representatives on the board. As to any further conditions, his Highness would give me no information. He said that in a few days he would be able to give me a definite assurance on the subject.

[40694]

No. 16.

*Mr. Marling to Sir Edward Grey. — (Received November 5.)*

(No. 351.)

(Telegraphic.) P.

Constantinople, November 5, 1909

WITH reference to proposed Anglo-German co-operation in Bagdad Railway mentioned in my telegram No. 346 of the 31st October, I now learn that Babington Smith has been told by Dr. Gwinner that British co-operation will be welcome. The basis of such co-operation would be that England should undertake the construction and control of the section from Bagdad to the Gulf, the arrangement to be subject to consent of the Porte. This prospective arrangement has been mentioned by Dr. Gwinner to the Grand Vizier as a possible solution of the customs question, and Dr. Gwinner states that the Germans are not prepared to abandon their lien on the 4 per cent., as was reported.

Although Gwinner did not entertain the idea of co-operation in other sections, Smith is inclined to think that this could be obtained if it were desired.

I have heard no more as yet from the Grand Vizier, and Dr. Gwinner leaves Constantinople to-morrow, the 6th November.

[41576]

No. 17.

*Minutes by Sir C. Hardinge and Sir E. Grey.*

Sir Edward Grey,

SIR WILLIAM WILCOCKS called upon me yesterday, having arrived from Constantinople on the previous evening.

I asked him to explain to me as far as he was able his views and plans in connection with the irrigation schemes in Mesopotamia.

He told me that the Turkish Government had decided for the present not to employ any contractors to carry out the survey and preparatory measures for the big irrigation scheme. The only suggestion that Messrs. Pearson had made was for

six months in executing the most urgent part of the repairs to the existing barrages and canals, but the Turkish Government had come to the conclusion that it would be better that they should do it themselves, and that later on the big scheme of irrigation should be undertaken. The Government for a certain fixed sum, with which he considered he would be able to complete these preliminary works, and every farthing for which he had asked had been granted to him. He had now come over to England to engage competent engineers, and to make contracts for various materials which would be necessary before he commenced operations. He hoped to be able to get Messrs. Pearson to lend him one of their principal engineers for the space of one year. After he had concluded these arrangements, he proposed to return to Constantinople at once, and to go thence to Mesopotamia.

I annex a map, in which I have roughly indicated what he proposes to do as regards irrigation.

You will observe that there is between Bagdad and the Euphrates what is marked as the Saklawiyeh Canal. The people in Bagdad are always afraid that, when the Euphrates is in flood, the banks of this canal may give way, in which case Bagdad would be in danger. The map shows the canal as it is at present, but which I have marked as drawn by Wilcocks. He proposes to build a barrage where the canal joins the Euphrates. This barrage will stop much of the silting which, he says, is very considerable, so that clear water will come into the lake. From the lake he proposes to make a canal 200 kilom. long in a straight line, right bank of the Tigris. From this canal others at right angles to it will be made covering the country intervening between the Tigris and the Euphrates. All this country will, he declares, become an enormous wheat granary or cotton-growing country, and the exports from thence should in a few years' time be of very considerable value.

Were a railway to be constructed from Bagdad to the Gulf, the only line for it to follow would be one between the Tigris and the canal of 200 kilom., which he proposes to construct. It would then have to take a south-easterly direction, and cross the Euphrates close to Amarah, and go thence to the Gulf. Such a railway is, however, in his opinion, absolutely useless for the export of the grain or cotton that would be grown near Bagdad.

Instead of such a railway, he strongly urged the construction of one following this line:—

It should pass straight from Bagdad to Hit on the Euphrates, where the rocks on

From Hit the line should, instead of following the course of the river, which has deep ravines on each side of it, continue along the high ground at some distance from the river to a town called Abou Kemal, which has a considerable stationary population. From Abou Kemal the line should go straight to Tadmor, and from thence follow the carriage road to Damascus, where connexion would be made with the Syrian Railway. Wilcocks explained that anyone who now went to the Euphrates would find both banks of the river more thickly populated than could be imagined, and crowded with enormous flocks of sheep, and with cattle, horses, goats, and buffaloes, all waiting for the first rain, when the grass springs up like magic and grows all over the desert. Then slowly and on foot the natives drive these enormous herds to the coast for sale, losing many on the road by robbery and death. To reach the coast takes these people several months, while, if a railway were to be constructed, all these cattle could reach the coast within the space of two days. The result of this would be that the breeding of cattle would be enormously increased, and the Syrian trade would be greatly benefited. He also mentioned that the Government of Argentina and Texas. He argued also that such a railway is essential for the export of the cotton or grain which is to be produced on the irrigated lands. Were these products to be dependent for export on the Bagdad-Persian Gulf Railway, the cost would be so great as to make it hardly worth while to cultivate the crops. After arriving at the Persian Gulf, the crops would be taken to Bombay, and probably thence to Europe. This would be very great delay, before the crops reached Europe, and a much longer sea journey than if there were an exit at Tripoli or Haifa.

Sir William further expressed his conviction that this railway would become the chief route for pilgrims on their way to Mecca from Transcaucasia, Afghanistan, and Northern Persia. They would pass through Kermanshah and, reaching Bagdad, would



take the new railway to Damascus, from whence there is a direct route by rail to Mecca and Medina.

Were this railway to be built, he felt quite convinced that the Bagdad Railway would never go further than the four sections which are now being built, since the line from Mosul to Bagdad, instead of following the populated country on the left bank of the Tigris, was to follow the right bank through an absolute desert.

He further added that, were such a railway to be built, it would form an excellent channel for the importation of British goods, especially of British cottons, which would be able to compete successfully at Bagdad with Indian goods. He realized that this might be disadvantageous to Indian trade on account of the competition which it would meet with from British manufactures, but he could see no reason why British trade should not also have its opportunity.

He strongly urged the absolute necessity of Great Britain taking a leading part in the construction of this railway. He understood that the French were ready to go in for it, but that they recognized that British interests were predominant at Bagdad, and they would do nothing without British participation. He was strongly opposed to the construction of a big railway, such as the Germans were building in Asia Minor, he preferred that it should be a light railway, such as is being built in Nigeria at a cost of about 3,000l. per mile. The length of the line would be 550 miles, and he calculated that, in leaving a fair margin, it might be built for two and a-half million sterling. If expressed his absolute conviction that within a very short time it would be a paying railway, and, were a guarantee given for the first few years, he felt certain of its future success.

Sir William intends, I understand, to lecture before the Royal Geographical Society on his irrigation schemes in Mesopotamia, and we may thus be able to obtain from his lecture fuller information than he has given me. I asked him, in view of the importance of the question which he has raised, to go to the Board of Trade and put his views on the Bagdad-Damascus Railway before them, in order to discuss the commercial questions which the construction of such a line would bring into being.

## C. II

Foreign Office, November 8, 1909.

This is very important, and has a bearing on Lynch concession as well as on Bagdad Railway. I do not quite gather whether Sir W. Willcocks thinks a railway from Bagdad to the Gulf will be useless or not, if the Bagdad-Abou Kermal-Damascus Railway is made.

We cannot contend that navigation concessions on the Euphrates and Tigris should stand in the way of irrigation. The object of means of communication is to develop country, not to block the development.

It seems to me that if the Turks would give us a concession for the Bagdad-Abou Kermal-Damascus Railway, with a right to prolong it to the Gulf, we might let the Bagdad Railway alone. The Turks would have a free hand in irrigation, and the steamer concessions below Bagdad would become relatively unimportant. The Germans would probably claim that we must come to terms with them about any railway from Bagdad to the Gulf, but this might be arranged. We ought, as soon as possible, to have a complete scheme to put before the Turks. The information points to something of this kind.

1. The Turks to go ahead with Sir W. Willcocks as to irrigation.
2. We to have the Bagdad to Damascus Railway concessions.
3. An arrangement with Turks and Germans as to Bagdad to Gulf Railway.

The Turks will probably insist upon dropping the Lynch concession if all this is to be done, and, if so, I do not see how we can help that.

The sooner the Bagdad Railway Committee can put this into shape the better.

E. G.

[41245]

No. 18.

Mr. Marling to Sir Edward Grey.—(Received November 9.)

(No. 353.)

(Telegraphic) P.

Constantinople, November 9, 1909.

MR. WHITTALL leaves for London to-day, as Dr. Gwinner is anxious that Sir Cassel should be consulted with regard to Anglo-German co-operation in Bagdad.

[41563]

No. 19.

War Office to Foreign Office.—(Received November 12.)

(Confidential.)

THE Director of Military Operations presents his compliments to the Under-Secretary of State for Foreign Affairs, and, for his information and retention, a copy of some notes on Alexandretta and the Bagdad Railway which have recently been received in this department from Captain S. F. Newcombe, R.E.

War Office, November 11, 1909.

Enclosure in No. 19.

Notes on Alexandretta and the Bagdad Railway, by Captain S. F. Newcombe, R.E.

(Confidential.)

ALEXANDRETTA is now probably twice the size that is shown on the Admiralty chart, which contains small corrections up to 1904.

The consul gave the estimate of population at 12,000.

Compared to Mersina and some other places Alexandretta is clean, the streets fairly broad, having a good surface, and well raised and drained. There are several moderately well-built houses.

Houses are within a few yards of the sea, which prevents a continuous road along the sea front.

There are four or five small jetties; a new one, steel girders on cylinders, is now being built near the custom-house. It will be 100 metres long by 10 metres wide.

The 6-fathom line is within 400 yards of the shore; hence ships can get in fairly close.

There is practically only one wind that causes any trouble to ships here; that is north-west, as the bay is protected from most quarters by the various hills.

A breakwater thrown out for about a quarter of a mile from the point to the west of the town would afford ample protection in almost any weather, and should dredging be done, it would be possible at no great expense to enable ships to unload alongside a pier.

If a railway be built from Alexandretta, the extra cost to enable direct loading would be well spent.

At neither Mersina nor Ayns would this be possible except at greater expense, nor are these two places at all well protected against storms.

At present there are several lighters (about 30) and smaller boats to hold ten persons (50 to 100). The latter can come right up to the beach, and one can land anywhere from them, the beach being sand and gravel.

The health of the town is said to have improved greatly, and fever is no longer prevalent.

The marshes have not been filled in yet, nor can they be so well without great expense; but there is now no marsh within 100 yards or more of the town, and much of that shown on the chart as marsh is now town land and is filled in.

The tramway for filling in is still worked, and two or three ditches drain the marshes. Some 4,000l. or more is spent annually on filling in.

Europeans or troops in large numbers could safely and easily live on the hills only 1 mile from the shore, and close to the springs where the water supply is derived. The site here is eminently healthy.

[1703]

K



In summer the local residents live some 10 miles out among the hills, but they might also always live on these hills only 1 mile from the town.

There is ample room for the town to expand, but expansion means filling in more marsh. After a certain point, however, a sloping plain would be reached.

The water supply is ample for a large town. There is a reservoir 1 mile from the shore, 4 feet deep by 100 feet by 100 feet. There are seven springs, one of which is used to supply the present 12,000 inhabitants. A pipe line is laid to the town from the spring. The quality of the water appears to be excellent.

A stream was running from the springs at over 2 miles per hour, with a sectional area of 1 square yard, which gives 3,500 cubic yards per hour. This stream is perennial.

Since Alexandretta mainly exists by the transport of goods to Aleppo, large quantities of transport should be easily accessible. Mules, small, thin horses, camels, and carts are available.

There does not seem to be a large supply of food, except cattle, in the neighbourhood. Grazing is good, but probably other forage is scarce.

The stores will hold 4,000 to 5,000 tons.

Fuel is scarce, but there are trees a few miles out of the town. The tramway engine consumes briquettes.

Bailan Pass might be used as a summer camping ground, but a better place is Arnaoulison, some 13 miles inland, 3,000 feet high, among pine trees, where water supply is excellent.

The inhabitants in this vilayet are said to be distinctly well disposed to the English.

Most of this information was given me by M. Cattoni and the Khedivial ship's captain. I spent two hours going round the town. Much more information would be found in the Foreign Office and Admiralty.

S. P. NEWCOMBE

Information given by Mr. Weekly (Commercial Attaché).—The section from Bulgurlu to Adana is estimated by Mavrogordato, the engineer in charge, to cost 127,000,000 fr., the ruling gradient being 2 per cent. (or 1 in 50).

The Germans want to bring the line near Tarsus and then proceed close to the present Mersina-Adana Railway, to avoid rough country near Adana. The Turks object to this, as they say it will create a new centre at the expense of Adana and Tarsus, besides taking traffic from the present Mersina-Adana Railway. They want the railway to come to Adana direct.

From Adana two routes have been surveyed:—

- (1.) Via Baghsho.
- (2.) Via Osmanieh, Payas, Alexandretta to Aleppo.

This was surveyed as a direct result of M. Cattoni trying to get a concession to build, without guarantee, from Alexandretta to Aleppo.

costs 20,000,000 fr. more than (2) owing to necessity of twenty-four tunnels and viaducts through the Gıncur Dagh, or else one tunnel 6 to 7 miles long, with the addition of water difficulties in the tunnel.

From Adana to Alexandretta, excluding rolling-stock, is estimated at 240,000l.

From Alexandretta to Aleppo is estimated at 1,360,000l., including rolling stock and including a tunnel of 4 to 5 kilom., estimated at 100,000l.

The Germans therefore prefer to go via Alexandretta, but the Turks object to the line going along the coast from Payas to Alexandretta, and want the Germans to build forts at Bas-el-Khanza, Alexandretta, and Payas to protect the line.

The Germans say this is unnecessary, and in any case want to know the cost of such forts. Von der Goltz has told the Turks, on being referred to, that the forts are unnecessary.

It is subject and that of the entry to Adana are under discussion.

From the Bailan Pass it is uncertain whether to go north or south of the Lake of Antioch to Aleppo. The better line goes south, but it will be necessary to drain the marsh; this would be simple, as the marsh is caused by three dams made to hold up water for three Turks who are now believed to be in exile. They could be bought out and the dams removed.

A special geological professor came from Vienna to report on the rocks likely to

be met with in the Bailan Pass and Gıncur Dagh in order to supply accurate information to arrive at an estimate of cost.

The line has been actually pegged out on a final alignment as far as Halef.

It is reported that the Germans are practically ready to begin now at Bulgurlu; a German survey party was due to reach Mersina on the 15th October.

The new trucks and carriages on the Mersina-Adana Railway now arriving are marked "Bagdad"; this new rolling stock, including new engines (the latter from Nürnberg), is presumably supplied by funds advanced by the Bagdad Railway Company.

Mr. Weekly gave me details of various projects now being put forward by Americans to build railways in the neighbourhood of Alexandretta Bay.

I saw M. Belard, manager of the Mersina-Adana Railway. His view was that the Taurus section would pay, but he scarcely explained whether he meant that that section would pay a return on the capital outlay or would pay his own railway by bringing more traffic from farther west.

He gave me interesting information regarding trade and possible development of the Cilician plain, but which hardly affects the bigger question of the through railway.

S. P. NEWCOMBE

It seems agreed that—

1. The Bagdad Railway as a through route will have no commercial value; the Indian mails are not likely to be entrusted overland from London to the Persian Gulf; passenger traffic cannot be expected to be great, and of course no through goods would ever pass over it.

2. Like the so-called Cape to Cairo Railway, this line can be considered commercially only by its sections; how does each section open up the country and connect the interior with the sea?

3. It is very improbable that the railway will reach Bagdad for an indefinite number of years, and at present only two to three sections of 200 kilom. each have any reasonable prospect of being completed.

These sections are Bulgurlu to Adana, Adana to Tell Habesch, and thence to Harraa.

The section Bulgurlu to Adana through the Taurus is estimated by the German engineers to cost 127,000,000 fr., of which the Turks guarantee 34,000,000 fr.

The second section has been surveyed both by Baghsho and by Alexandretta to Aleppo; this latter route was surveyed last July as a direct result of M. Cattoni and others asking for a concession to build a railway from Alexandretta to Aleppo. From Adana via Osmanieh to Alexandretta is estimated at 240,000l., excluding rolling stock.

From Alexandretta to Aleppo is estimated at 1,360,000l. including rolling stock, and also including a tunnel through the Bailan Pass of 4 to 5 kilom. Should the line go via Baghsho the cost would be another 20,000,000 fr., owing to twenty-four tunnels and viaducts over the Gıncur Dagh, or one tunnel of 6 to 7 miles, with the probability of water difficulties in the tunnel.

After Aleppo doubtless the main difficulties are over. The line has been finally aligned and marked out as far as Halef.

It is obvious that these three sections are very expensive and of comparatively little value, since the immediate prospect of a through route is remote, even should such a route be really required.

The only immediate result of the Taurus section would be to bring traffic to Mersina instead of to Smyrna, by bringing goods from Konieh, and perhaps Ak Sheker, to Mersina, which now go the other way. The additional line to Adana from Bulgurlu taps no new country, and brings the railway no nearer Kaisariyeh, Nigide, or other big centres than it is now, and it is purely a question of the manipulation of rates from how far west the traffic would go to Mersina. This section, then, costing some 5,000,000l. itself, develops no new country.

The line from Adana to Alexandretta would only be useful in developing Osmanieh, Hamidieh, and that part, which can be easily done by producing the present Adana-Mersina Railway to the necessary places in the Cilician plain.

From Alexandretta to Aleppo, however, it is generally accepted that a railway would be a great help. A survey of the country shows that there is a great deal of trade already developed, and which would be carried by such a railway.

Turkey, being poor financially, cannot afford luxuries such as the Bagdad Railway, and especially such a costly and unremunerative section as Bulgarli to Alexandretta.

Germany would probably be quite willing to abandon these same sections, could she avoid building them, as the outlay will be very considerably greater than the guarantee, unless she can undertake several other sections to make up the deficit; and for these Turkey will probably be unable to supply the money for some years.

If, then, a financial group could be found to propose to Turkey and to Germany to undertake a railway of this kind, and if German assistance in a railway that has prospects of immediate success, it is quite possible that a sound commercial settlement would be arrived at.

Such a railway, and one recommended by several who know the country best, would be from Alexandretta to Diarbekir via Aleppo. This would develop some of the richest country, and, by assisting traffic towards Lake Van, might even attract the trade which now passes via Erzeroum and Trebizond. The strategic value is also considerable. Branches could be considered later as the country develops.

The line might cost to Aleppo 1,860,000*l.* (as estimated by the Germans), and another 250 miles to Diarbekir at 7,000*l.* a mile gives, say, 3,000,000*l.* altogether for a useful line 300 miles long instead of a useless line 125 miles costing 5,000,000*l.* through the Taurus.

For this line capital could probably be found without guarantees, certainly without kilometre guarantees.

There are, of course, several projects afloat, which presumably means there is capital forthcoming; and certainly M. Catiotti is backed by financial people to a certain extent, and would build to Aleppo without financial guarantee.

It is probable that now is a favourable time to put such a project forward. Herr von Gwinner's article last July in the "Contemporary Review" rather tends to show that the Germans would consider a sound commercial alternative to their present scheme in conjunction with others.

There is a great deal of talk of the project, but it is reported that everything is ready for an early start. There are two points of discussion between the Turks and Germans at present.

1. The Germans want the line to come down to a place near Tarsus, and then to go alongside the Mersina-Adana Railway to Adana, in order to save bad country.

The Turks want the line to come direct to Adana, as they say a new junction would be created, which would lessen the importance of Tarsus and Adana, a question of vested interests.

2. Going round via Alexandretta necessitates the railway running from Payas to Alexandretta along the seashore. The Turks say the Germans must build forts to protect this coast-line; the Germans object to doing this, and in any case wish to know what kind of forts and what expense will be required before they agree.

Von der Goltz, when referred to, said protection by forts is unnecessary.

It would be a great opportunity lost if no one can be found to come forward with some such scheme and in combination with the Germans commercially, rather than to allow by sitting still a line to be built entirely under German control, and which benefits neither Turkey, Germany, nor ourselves, at least as regards commerce.

S. P. NEWCOMBE.

October 16, 1900.

(41367)

No. 20.

Sir Edward Grey to Mr. Marling.

(No. 350. Secret.)

Sir,

Foreign Office, November 12, 1900.

THE Turkish Ambassador called at the Foreign Office on the 8th instant and was received by Sir Charles Hardinge. His Excellency stated that he had been instructed by Rifat Pasha to inform me unofficially that he had been in communication with the Bagdad Railway Company, and that he had, not without difficulty, succeeded in persuading them to agree to British participation in the railway on equal terms. This statement Tewfik Pasha repeated more than once.

He was further instructed to ask that a British representative should be appointed to discuss with a representative of the German company the agreement to be arrived at in conjunction with the Ministry of Public Works at Constantinople.

Sir Charles Hardinge informed Tewfik Pasha that the news he gave was somewhat of a surprise, since the question had been seriously under discussion six or seven years ago, and, but for German pretensions, an agreement might then have been reached. We had constantly heard since that these pretensions had not been abated, and we had been patiently waiting for a moment such as this to arrive. He would understand that there was no company in existence to undertake participation with the German company, and that it would not be possible to select anybody to enter upon negotiations without further delay.

Sir C. Hardinge requested the Ambassador to convey my thanks to the Minister for Foreign Affairs, and to say that the matter will be taken into consideration at once.

I am, &c.  
E. GREY

(41726)

No. 21.

Mr. Marling to Sir Edward Grey.—(Received November 15.)

(No. 350.)

Sir,

Constantinople, November 6, 1900

THE Bagdad Railway Company announces that the Turkish Government have now accepted the company's plans for the continuation of the line from Bulgarli over the Taurus to Aleppo and thence across the Khabur to El Heli, a distance of 840 kilom., and that work on this section will be started on at once.

As in the case of the first section, a construction company is to be formed for this section, with a capital of 400,000*l.*, having its head-quarters in Switzerland. There will be a board, composed of twelve members, of whom five are to be Germans, four French, one Austrian, and two Swiss. Dr. Gwinner will be president, and M. F. Kautz, director-general adjoint of the Anatolian Railway, one of the German members; the French are M. Gaston Auboyneau, administrator, and M. C. de Cargut, director of the Imperial Ottoman Bank, Comte d'Arnoult, and M. Benac, of the Banque de Paris et des Pays-Bas.

The executive committee of three will have Regierungsrat Riese as president and MM. Haguenon and Helfferich as members. The work of construction is in the hands of MM. Winkler and Mavrogordato for the part from Bulgarli across the Taurus to Adana, while Messener Pasha, the builder of the Hedjaz Railway, has been entrusted with that portion over the Amanus Mountains. Work is to be begun simultaneously from four points: at Bulgarli, and at Adana towards the Taurus, and from Adana towards the Amanus, as well as at Aleppo. It is anticipated that the climate of the Adana Plain will allow work to go on all through the winter, so as to make up for lost time and give employment to the many unemployed and sufferers from the Adana massacre.

The Bagdad Company's announcement would seem to imply that the Government have agreed to the trace of the whole section as presented to them, but I believe this is not actually the case, and that no decision has been reached regarding the stretch from Adana onwards, the Ministry of War favouring the original trace, which would go northward from this point, whereas strong local pressure is being brought to bear to have the line curve round the bay to touch Alexandretta. The Germans have, however, prevailed on the Government to allow them to commence work on the parts agreed on pending their final decision on this point.

A syndicate formed by the Imperial Ottoman Bank of Paris, the Vienna Bank-Veren, and the Swiss Credit Anstalt, and headed by the Deutsche Bank, will take over the loans series II and III, amounting to 3,080,000*l.*, with the proceeds of which the railway company will gradually pay for the construction of the new section.

The announcement of the continuation of work on the Bagdad Railway line coincides with the opening of the new railway terminus at Hadar Pasha, which took place with great ceremony on the 4th instant, as a delicate compliment to the Sultan on the occasion of his birthday, in the presence of representatives of the Sultan, all the Turkish Ministers, the German Ambassador, and all the prominent members of the Anatolian Railway Company. After a short speech by M. Gwinner, director of the Deutsche Bank, and a long oration by M. Kautz, the Minister of Public Works, Haladjan Effendi said a few words in the name of the Turkish Government, thanking the Anatolian Company for their enterprise and activity, and announcing that the

[1703]



Government had changed their attitude with regard to questions of progress and development since the days of the old régime. They welcomed the influx of foreign capital into the country, but in granting new concessions and sanctioning new enterprises it was their aim now, not to benefit certain individuals, but to augment the wealth and power and encourage the development of the Ottoman Empire.

He added that as a first step to the one arrangement of free circulation, the Government were preparing a Bill for the abolition of passports within the Empire, and that revenues derived from this source were struck out from this year's budget.

I have, &c.

CHARLES M. MARLING.

(41730)

No. 22.

Mr. Marling to Sir Edward Grey.—(Received November 15.)

(No. 803.)

Sir,

Constantinople, November 9, 1909

WITH reference to my telegram No. 351 of the 5th instant informing you briefly of the proposals outlined by Dr. Gwinner to Sir H. Babington Smith for British participation in the Bagdad Railway, I have the honour to transmit herewith a copy of the ~~document~~ which the latter is sending to Sir Ernest Cassel of the conversation which took place between them.

Mr. Edwin Whittall, the administrator of the National Bank, called on me subsequently and informed me that he had, at Dr. Gwinner's request, arranged the interview between these two gentlemen, and added that, after a long discussion of the situation in which Dr. Gwinner had developed his views as to our participation in considerable detail, Dr. Gwinner had finally requested him to go at once to London to try to induce Sir Ernest Cassel to come to some arrangement with the German company. It is natural that Dr. Gwinner should prefer to approach the National Bank through Mr. Whittall rather than through its official representatives, as Mr. Whittall has not only very large dealings with the German railway company, but has also for some time been in communication with the British Government. When he asked me whether in my opinion he should go to London as requested I urged him to do so, provided that Sir H. Babington Smith concurred. Mr. Whittall started for London this morning, travelling via Bucharest.

It will at any rate be of advantage that His Majesty's Government should obtain

Mr. Whittall, who is a personal friend of Dr. Gwinner, and who, moreover, is acting in the matter as a private person.

You will have noted that Dr. Gwinner's proposal to give us control of the Bagdad-Gulf sections is not on all fours with the communication made to me by the Grand Vizier (as reported in my telegram No. 339 of the 11th October), and again repeated by his Highness to me with somewhat more assurance on the 5th instant, that the Germans were ~~not~~ <sup>not</sup> prepared to accept our terms. In spite of this discrepancy I have no reason to suppose that Dr. Gwinner

believes that the Ottoman Government should agree to our acquiring control of the Gulf sections of the line; and I think the explanation probable is that the Grand Vizier, while really anxious to bring the Germans and ourselves together, shrank from making officially a proposal which might be represented as calculated to advance British political interests at a moment like the present, when a certain stir has been made in the press about our supposed designs of aggrandisement at the expense of Turkey in those regions.

I have, &c.

CHARLES M. MARLING.

Enclosure in No. 22

Memorandum of Sir H. Babington Smith's Conversations with Dr. Gwinner.—  
(Communicated to Sir E. Cassel by Sir H. Babington Smith.)

DR. GWINNER introduced the subject of British co-operation in the Bagdad Railway.

He traced the history of the project from its origin to the present, and said that, while he was confident that the line would be finished in course of time without British co-operation, he believed that with British co-operation it would be completed at an earlier date. He was therefore still desirous to have that co-operation.

He said that he would be prepared now to agree that the section from Bagdad to the Persian Gulf, Koweit, or elsewhere, should be under British control, and should be constructed by British agency and with British material, the other interests only taking a ~~small~~ <sup>small</sup> share. It would be necessary to obtain the assent of the Turks to such an arrangement, but he believed that there would be less difficulty about this under the present than under the old régime.

I asked what relation the British group would have to the rest of the line. He said that the arrangement for that had been made, and that he thought the simplest plan would be to divide the enterprise into two parts at Bagdad. He therefore proposed that the British group should have nothing to do with the line north of Bagdad.

I pointed out that in order to complete the line to Bagdad a very large annual sum would be required, and that it would be a very long time, if not an indefinite time, before the Turks would be able to assume this heavy burden.

Dr. Gwinner said that he looked to the increase in the customs duties to provide the money. He was aware that the British Government had declined to give their assent unless a pledge were given that the revenues should not be applied to the Bagdad Railway. The Germans, on the other hand, desired that they should be so applied.

The Grand Vizier had spoken to him of the dilemma in which they were placed, and he, Dr. Gwinner, had suggested to the Grand Vizier that a solution was to be found in British co-operation on the basis of British control of the Bagdad-Gulf section.

I then pointed out that the type of railway now being constructed was unnecessarily expensive, that if the gauge were reduced and a more economical type of construction adopted the guarantee at present provided for four sections (840 kilom. from Bulghourlou onwards) would suffice to take the railway to Bagdad.

Dr. Gwinner admitted that the type of railway was unnecessarily costly, especially in the Taurus section. He had endeavoured to persuade the Turks under the old régime to accept more economical curves and gradients for this section. They had, however, declined, and he was unwilling to enter upon a new negotiation because it would give hostile interests an opportunity for opposition.

I pointed out that if an agreement were arrived at for co-operation this reason would cease to exist. Dr. Gwinner assented, but, while admitting that economies might be made on the Taurus section, he strongly objected to a change of gauge, and anticipated that the Turks would object on military grounds. He added that England, while glad to have a railway from the Mediterranean to the Persian Gulf, would, he supposed, prefer a change of gauge, which would be an obstacle to the use of the line for military purposes or troops coming from Europe.

He did not give any final answer as to the possibility of a cheaper type of line, and I explained that this suggestion was merely from myself, and that I was not in any way authorised to make or accept proposals of any kind. Dr. Gwinner added that any decision regarding the change of type would have to be taken in six weeks, as he would be beginning actual construction after that.

As regards the finance of the railway, Dr. Gwinner said that, taking into account the reserve of 600,000 kept in hand from the Konia-Bulghourlou section, he expected that they would be about square when they reached El Heli, this reserve and the profits on the other sections.

As regards the remainder of this line from El Heli to Bussorah (about 1,155 kilom.), Dr. Gwinner anticipated a net saving of 2,000 fr. per kilometre, or over 2,250,000 fr. With this sum he proposed to create a reserve fund to meet the loss which there will be on the working when the traffic increases. Under the contract the company undertakes to work all traffic up to 10,000 fr. per kilometre for a fixed sum of 4,500 fr. per kilometre. Traffic receipts above that sum are to be divided in the proportion of 40 per cent. to the company and 60 per cent. to the Government. As the railway cannot work at 40 per cent. or even 45 per cent. of the gross receipts, there will be an increasing loss as the traffic grows, for which it is necessary to provide.

I suggested that the contract might be modified in this respect. If the economy

[illegible]

[41981]

No. 23.

*Sir A. Nicolson to Sir Edward Grey.*—(Received November 15.)

{No. 490.}

(Telegraphica.) P.

St. Petersburg, November 15, 1900.

**BAGLAD Railway.**

Some secret information has reached M. Isvolsky, which his Excellency has read to me confidentially. The possibility of an English company asking for the concession of a railway from Koweit to Bagdad without requiring any guarantees has come to the knowledge of Hilmi Pasha, who does not himself favour the proposal. As, however, he thought that the Assembly might find it pleasing, he had spoken to the German Ambassador at Constantinople on the subject, and had proposed to him that an Anglo-Franco-German combination should be made for the last section of the Bagdad Railway. The German Ambassador replied that, provided no difficulties were made to the German company coming to a final arrangement as to Bagdurku-Bilid section, he would recommend such a combination to his Government.

In reply to M. Iavolsky's question as to whether I had received any information as regards the possibility of our asking for a railway concession, I added, however, that the proposed combination *d trois* was entirely new to me. I told his Excellency that I would answer for my Government that we would not enter into conversation as to the *Grand Railway except d quatre*, and that he could remain perfectly assured on this point.

[41726]

No. 24

Sir Edward Grey to Mr Marling.

No. 355.)

215

Foreign Office, November 16, 1909.

I HAVE received your despatch No. 839 of the 5th November, reporting that the plan of ... .. the ... .. eastward in ... .. to ... .. Aleppo, and El Hefaf have received, in principle at any rate, the approval of the Turkish Government.

It would appear from information received in this department from Sir A. Block, which is probably in your possession, that the revenues assigned by the Porte as guarantees for the interest on the railway loans, not including any of the proceeds of the prospective 4 per cent. increase of the customs duties, will suffice for the construction of Series II of the Bagdad Railway, but not for the construction of Series III. I have to request you to communicate to me your views as to how the Bagdad Railway Company propose to finance the construction of Series III of the railway.

I am, &c.

E. GREY.

No. 25.

*Messrs. Pearson and Son to Foreign Office.*—(Received November 17.)

Sir,

10, Victoria Street, Westminster, November 16, 1909.

10, PATERNOSTER STREET, WESTMINSTER, NOVEMBER 10, 1905.

WHEN Mr. C. S. Palmer had the honour of an interview with you on the subject of Mesopotamian railways, he promised to send you, for Sir Edward Grey's information, a note of what he then told you. We have the pleasure of enclosing herewith a copy of Mr. Palmer's report to us on this subject.

We have, &c.

For S. Pearson and Son (Limited),  
[Illegible], Director.

Enclosure in No. 25

*Report by Mr. Palmer respecting Railways for the Development of Mesopotamia.*

IN my report of the 1st instant, when I dealt chiefly with irrigation, I stated that in my opinion Mesopotamia is not in a position to take advantage of large developments in irrigation. The works that I had seen had not been a suggestion or a study of the possibilities of irrigation by means of a large dam and reservoir on an important river. When these possibilities are taken into consideration, however, large profitable works can be undertaken and the Government will, therefore, be able to return a profit such as would induce capitalists to finance the works either directly through concessionaires or indirectly through the Turkish Government.

In my report of the 1st instant, I submitted that Sir William Wilson advocated, and had submitted designs and estimates for irrigation works that would in one way or another cost many millions sterling, and in addition he had advocated still other irrigation works; but I also stated that Sir William appeared aware of the difficulties in the way, and therefore, in his last report of the 10th October, 1909, had reduced his irrigation proposals to a moderate present programme; and it was also mentioned by me that Sir William had recommended the Turkish Government to enter on the construction of a railway from Bagdad to the Mediterranean. It is to explain

8. References to the accompanying map\* shows that Mesopotamia can communicate with the outer world in two directions: one to the west and north-west connects her with the Mediterranean, and the other to the south with the Persian Gulf. In neither case as matters stand, can the existing means of transport be considered satisfactory. So far as the westerly route is concerned, export by water is impracticable, for though the Euphrates is navigable (except for certain catamarans) by native boats; on the other hand, both wind and current constantly tend to the south, and prevent profitable carriage. Export therefore does not take place in this direction, except in the case of stock, which are driven overland when the season is favourable. Import, however, does take place, and is effected by the same means. The time required for a voyage up the river is from fifteen days to three weeks, dependent on the season and good luck in escaping stranding or upset. There is also a caravan route from Damascus via Palmyra to the Euphrates.

4. To the south—that is, to the Persia Gulf both export and import are effected by water, in vessels ranging from the European and African built steamers of the line. The inland route is via the railways to Basrah, and the distances by railway from Bagdad to the oil fields are 400 miles, steamers take four days down and five days up, with two days on a lake, twenty or twenty-two days from Basrah to the Persian Gulf. The bulk of the oil is loaded at Basrah, the oil being a point for the Persian Gulf and Basrah is a port where the oil is loaded. The average cargo is 100 tons, most of it is carried by steamer, and 150 tons on the average for the Persian Gulf. As the freights between Basrah and the United Kingdom are high, and for exports, the goods are carried by the Persian Gulf, and the goods are carried by the Persian Gulf.

\* Not reproduced.



Bussorah reach a considerable amount per ton. It will be seen, therefore, that the want of efficient communications is one reason for Mesopotamia's present condition.

5. So far as water carriage is concerned, there is not, to my thinking, either possibility of permanent improvement in the rivers. The rivers are tortuous, and, even if money were spent on improvements, these could not have permanent effect, for the difficulties of navigation are not least when the water in the river is low, and of course extension of irrigation must reduce the flow in the rivers and render navigation more difficult. As the fall of the country is slight the rivers could no doubt be dredged and canalised in the worst parts, but the cost would not be small. The revenue from such works would not be large; they would not pay directly, and are therefore barred from practical consideration. Moreover, as regards any canal that may be constructed for desalination, it can only be said that it is now being considered, and that it may be constructed, but that it is not yet decided whether it should be constructed, and that it is not yet decided whether it should be constructed, and that it is not yet decided whether it should be constructed.

6. Of such railways there are two, both of which would be of benefit to Mesopotamia, viz., one to the south and the other to the west. The first-mentioned, from Bagdad to Bussorah and the Gulf, at first sight appears unquestionably the better to construct. It would (see map)\* be some 300 miles long only, it would be along a route where there is already a large transport trade both ways, and it would traverse country which will have a large population if and when the schemes advocated by Sir William Willcocks are carried out and fructify. But to this line there are also strong objections. It would be liable from first to last to competition from river-horse carriage, it would terminate either at Bussorah, a port with a bar, or on the Gulf at some port yet to be created, and whichever port the line terminated at freights thence would be comparatively heavy, for the trading vessels to the markets of Europe would have to round the Cape or pass through the Suez Canal.

7. Another objection, and the strongest, is that the route of this railway is uncertain and the cost per mile would be large compared with that of a railway to the west. On the map\* is shown in brown hachured blue lines the tracts of country affected by the works Sir William Willcocks has received sanction to proceed with; and in single hachured blue lines the tracts of country that would be improved in some future time when the works Sir William advocates are constructed. It is not even certain at present that the main works he has advocated will be the ones to be constructed, and even if it were so certain it is at present entirely unsettled where the canal will run. The country is low lying, and earthworks would be heavy unless canal banks were utilised for the formation, and this could only be the case in parts. There is an entire absence of fuel and other material for construction, and the maintenance of banks built of the friable soil would not be cheap. Therefore, although this must be an important and a paying line in years to come, it also appears that it cannot be a paying line at the outset.

8. There is one other factor, due to the strong international jealousies in Turkey, that comes into consideration. A German company has an agreement with that country as explained below for the construction of a railway to Bagdad from the north-west, and one of the conditions of this agreement is that no other country is to be accorded the right to work a railway between Bagdad and the Persian Gulf until this German company has reached Bagdad with its railway.

9. Turning now to the west, it is noticeable that although the first railways were English, all, with one exception, are now either Turkish, French, or German. The exception, notable in the present consideration only because it is an exception, is the Smyrna-Aidin line and its extension inland into Asia Minor. The Turkish Government owns the line south of Damascus; the French have the lines from Damascus to Aleppo and apparently all rights to the coast west of this line; while the German railway concession, above referred to as blocking a railway between Bagdad and Bussorah, also blocks construction of a railway by any but themselves from any part of the coast west of a line connecting Aleppo and A...

10. This German concession known as the Bagdad Railway is highly advantageous to the concessionaires and burdensome to Turkey: indeed, the only hope of overcoming the adverse conditions embodied in the contract is because they are so burdensome to

Turkey. The agreement which dates some years back provides for payment by the Turkish Government of a fixed sum per kilometre of railway constructed; and, secondly, of such a sum per kilometre worked as is necessary to bring the gross receipts up to a certain minimum. The construction cost per kilometre is independent of the class of country traversed and is high as an average. The railway has to be constructed in sections of a uniform length and the payment per kilometre is, as I have said, uniform and independent therefore of the class of country traversed. The railway which started from a point opposite Constantinople under a previous agreement was cancelled some six years ago, and the line, as I have said above, has to be for a time it halted. The reason is plain. The line, as I have said above, has to be constructed in sections; and the two sections east of Eregli are in highly difficult country where the probable cost of construction is above the Turkish subsidy. The next two sections, however, up to a point opposite Mardin are in easier country, and the efforts, therefore, of the concessionaires were directed to persuading the Turkish Government to sanction and provide funds for all four sections. Thus, they achieved some eighteen months ago, and apparently they have now persuaded a group of continental banks to finance the work which, it is reported, is to be pressed on with at once.

11. It must be some years, however, before the four sections now to be constructed are completed; there will still remain some 600 kilom. of line to finance and construct. And after all when this is accomplished it will still be some years before the line is opened to traffic. The line, as I have said above, has to be constructed in sections; and the two sections east of Eregli are in highly difficult country where the probable cost of construction is above the Turkish subsidy. The next two sections, however, up to a point opposite Mardin are in easier country, and the efforts, therefore, of the concessionaires were directed to persuading the Turkish Government to sanction and provide funds for all four sections. Thus, they achieved some eighteen months ago, and apparently they have now persuaded a group of continental banks to finance the work which, it is reported, is to be pressed on with at once.

12. There remains a line from Bagdad along the Euphrates to Abou-Kemal, then across country to Palmyra and the sea-coast. In combination with the French this line would provide the shortest route to the Mediterranean if carried via Homs and Tripoli. It would be along an existing caravan route, and should intercept a fair proportion of the trade in stock now carried on overland. It would mostly traverse uncultivated and apparently unculturable country between Homs and Abou-Kemal, but, on the one hand, with construction and traffic, and on the other, the length should be cheap, while the whole of the trade from Zor, at least, should reach the railway at Abou-Kemal by water.

13. Briefly put, therefore, it would appear that the best railway of the future is certainly one from Bagdad to the Persian Gulf, but it would be costly per kilometre compared with that to the west; it would have to compete with water carriage, its location and success are dependent on irrigation works, and a port yet to be determined and designed, and the project is hampered by the conditions of a contract already entered into by the Turkish Government with the German Bagdad Railway Company. The line from Bagdad via Palmyra to the Mediterranean is not hampered by this contract, as it is not a part of the same project, and its cost per kilometre should be low. On the other hand, it would be 70 per cent. longer than the Bussorah line, and it could not expect to have the same amount of traffic and receipts as the Bussorah line. It might, however, be a paying line at least in years to come, but it would be at much disadvantage when the line to Bussorah and the Gulf is built.

C. S. R. PALMER.

London, November 11, 1909.

\* Not reproduced.

[41981]

No. 26.

*Sir Edward Grey to Sir A. Nicolson.*

(No. 1334)

(Telegraphic.) P.

Foreign Office, November 18, 1909

BAGDAD Railway.

Please see your telegram No. 490 of the 15th instant.

The fact that some weeks ago His Majesty's Government applied, through their Ambassador at Constantinople, for a concession to construct a railway along the course of the Tigris from some point on the Persian Gulf to Bagdad has already been brought to the knowledge of the Russian Government. Also, that His Majesty's Government at the same time applied for an option to continue this line westward to the Mediterranean, following the course of the Euphrates.

I presume also that the Russian Government are aware that His Majesty's Government have agreed to a 4 per cent. increase of Turkish customs duties, that no portion of the extra revenues accruing from this increase should be affected to the payment of kilometric guarantees, and that an assurance in writing to that effect should be obtained from the German Government.

It is improbable that such an assurance will be forthcoming from the German Government, seeing that the Bagdad Railway Company are fully aware that, unless the incomes of the customs duties is agreed to by the Powers and unless they can get at least a portion of the extra revenues derived from this source set apart for the payment of kilometric guarantees, they will not secure the guarantees which they seek to obtain.

Herr Gwinner has now approached Babington-Smith at Constantinople, and I received from the latter two days ago an account of their interview. Herr Gwinner has suggested that the Bagdad-Gulf section of the railway, the construction to be effected with British material. The British group would have no share in the line north of Bagdad, while other interests would take only a subordinate share in the Bagdad-Gulf section.

Unless and until some agreement is arrived at about the Bagdad Railway, His Majesty's Government will be obliged to withhold their consent to the proposed customs increase. I have made this clear to Count Mitternich, and I have reminded him that the co-operation of Russia, who must be invited to join, equally with France, constitutes one difficulty in the way of participation in the railway. His Majesty's Government understand that the present proposal is to the effect that the Germans would cede to us the right of constructing the Bagdad-Gulf section, and would acknowledge our right to proceed with the line north of Bagdad.

Thus, from the point of view of our own interests in Mesopotamia, it is essential for us to obtain, and it is what we have all along been aiming at. With our object thus attained we should probably join the other Powers, of whom Russia seems to be one, who are prepared to agree to the 4 per cent. increase without making any conditions, and we should make no further demands for participation in the railway scheme. We should no longer feel that we had such vital concern in the German line north of Bagdad, but should turn our attention more to a line starting from Bagdad and running due west. It is necessary to come to a decision without delay, owing to the question of the increase of customs duties having been raised. We cannot continue to stand alone in opposing the increase, while, on the other hand, the completion of the railway will be provided for if the increase is agreed to.

I should be glad to hear from you what are the views of M. Iavolsky, to whom you may communicate the substance of the above.

[43161]

No. 27.

*Minutes by Sir C. Hurdingle and Sir E. Grey*

Sir E. Grey.

SIR E. CASSEL called last night and talked of the Bagdad and Hit railways.

He regards the Bagdad-Gulf Railway as the most important of the two, and believes that for grain transport the Persian Gulf route will always be cheaper than the route across the desert via Hit. He said that it is also absolutely necessary that we should obtain the Khanikin branch which must start from Bagdad and not from

Sadje. I remarked that the Germans would not be likely to give it up. He replied that he thought they would give it up, and that we must have it on account of the Persian trade coming from the Gulf.

As regards the Hit Railway, it would no doubt compete with the Bagdad Railway, and might in the end be a paying concern. Sir W. Willcocks had told him that you had suggested the possibility of the Government taking shares in the railway, and that Sir W. Willcocks had talked a good deal of a Government guarantee, but that he was opposed to both ideas, and wished that the two railways should be constructed and run on purely commercial lines. He thought that the French would not co-operate in the Hit Railway, as nothing less would do for heavy transport. He thought that Sir W. Willcocks had greatly underestimated the cost of construction. He intends, therefore, to send an engineer to report. He wishes to know as soon as possible the views of His Majesty's Government, and will himself, as head of the National Bank, negotiate with Dr. Gwinner, whom he knows very well.

He remarked that there must be a conflict between the Germans and the Turks, since the Germans want the 4 per cent. kilometric guarantees, while the Turks want it for a large loan as guarantee. That, I remarked, is no concern of ours, if we can get all we want.

C. H.

Foreign Office, November 19, 1909.

I never suggested that the Government should take shares in the Hit Railway; it was Sir W. Willcocks who made some suggestion of the kind to me, when I pointed out the difficulties of a Government guarantee. I made no comment on the suggestion, which does not differ much from a Government guarantee. If Parliament would agree to one it would probably agree to the other.

The Khanikin branch may complicate matters with the Russians. We cannot go further with that till we hear the result of our communication of this week to St. Petersburg.

E. G.

[42457]

No. 28.

*Sir A. Nicolson to Sir Edward Grey.—(Received November 19.)*

(No. 494.)

(Telegraphic.) P.

St. Petersburg, November 19, 1909

PLEASE refer to your telegram dated yesterday, No. 1334: Bagdad Railway negotiations at Constantinople.

In accordance with your instructions I saw M. Iavolsky this afternoon, and he would defer giving me his views until he had studied the question in detail, but the following are some points on which he commented:—

It appeared to his Excellency that (so far as he could see) Germany was to take all the line from the Persian Gulf to Bagdad. In fact the railway was to be divided between these two Powers; and in that case all idea of a conversation *à quatre* had been abandoned, and Russian interests were not to be taken into account. All rights over the Bagdad-Persian Gulf section had, it seemed to him, been waived by Germany in order to obtain the consent of Great Britain to the surtax on Turkish customs without any conditions. He said that he had seen the German Ambassador at Constantinople, and that the whole line north of Bagdad. It was, he said, inaccurate to suppose that no conditions would be attached to the Russian concession. When in 1907, or thereabouts, discussions had begun as to the railway between Russia and Germany, with special reference to how future railways in Persia might be affected by it, he had let the matter drop on learning that in the view of His Majesty's Government all four Powers should take part in the discussion. M. Iavolsky's memory is, I think, at fault in this, for the reason why discussions were then dropped was, so far as I can remember, that Germany would not abandon her claim to extend the railway to the east, and no agreement was reached. M. Iavolsky reserves the right to demand a concession for the Hit Railway as a condition of settling the question of the Bagdad Railway.

[1703]

N



of all other parties," and the communication made by me showed that His Majesty's Government had embarked on an entirely new and unexpected course.

Please regard the following as confidential:—

It was clear to me that M. Isvolsky was considerably displeased by my communication. Although I impressed on him the language held by you to Count Metternich, his Excellency apparently did not attach much importance to it.

[42336]

No. 29.

Sir A. Nicolson to Sir Edward Grey.—(Received November 22.)

(No. 610. Confidential.)

Sir,

St. Petersburg, November 16, 1909.

M. ISVOLSKY told me yesterday that he had some secret information to give me. He had learnt that Mr. Winston Churchill, when recently in Germany, had informed Mahmet Chekuk Pasha that an English company would shortly apply to the Government for the concession of a railway from Koweit to Bagdad without requiring any guarantees, and that similar information had been communicated to Tewfik Pasha in London. I observed to M. Isvolsky that this was in all probability the scheme as to which I had given him private information some little time ago, and to which he had made no objection.

His Excellency said that he quite understood that, but he wished to communicate to me the subsequent developments, which he thought might be of interest. Hilmi Pasha had certainly received intelligence of the project, and had viewed it favourably, though he admitted that it would probably be pleasing to the Turkish Parliament, in view of the fact that no guarantees were required. He had, in order to block an exclusively British project, suggested to the German Ambassador whether the German railway company would not be disposed to form a combination for the last section of the railway with French and English commissioners. Baron Marschall said that he had no objection to such a combination, provided that no further difficulties were raised in regard to the Bulgurlou-Hilaf section. He would be prepared in such circumstances to recommend the combination which Hilmi Pasha suggested.

I told M. Isvolsky that I had heard nothing whatever as to the proposed combination, but he could be assured that my Government would not enter into any discussions as to the Bagdad Railway unless Russia was a party to them. He knew well that my Government had consistently declined a conversation *à deux*, and had maintained that it should be *à quatre*, and I felt confident that they would not move from that position. His Excellency said that he had no doubts on that head, but he had chiefly desired to draw my attention to the attitude of Hilmi Pasha.

I have, &c.

A. NICOLSON

[42694]

No. 30.

Sir P. Bertie to Sir Edward Grey.—(Received November 22.)

(No. 15. Secret.)

Sir,

Paris, November 20, 1909.

I RECEIVED on the night of the 18th instant the telegram which you had dispatched that day to His Majesty's Ambassador at St. Petersburg relative to the project of a railway from Bagdad to the Persian Gulf by the Valley of the Tigris, with the option of prolonging it along the Euphrates Valley from Bagdad to the Mediterranean; the condition attached to the consent of His Majesty's Government to the 4 per cent. increase in the Turkish customs duties as regards kilometre guarantees to railways; the apparent readiness of M. Gwinner to agree that the section of the Bagdad railway from Bagdad to the Persian Gulf should be constructed by British agency and with British material; the communication which you made on the subject of the Bagdad Railway and the increase of customs duties to the German Ambassador; the conditions subject to which His Majesty's Government would be

prepared to forego any participation in the Bagdad Railway north of Bagdad and give their consent to the increase in the customs duties.

In view of the fact that you authorised Sir Arthur Nicolson to give to the Russian Ambassador the information which you had communicated to me, and that you had not already made a like communication to the French Ambassador in London the information would reach the French Government from St. Petersburg, I thought that it would be advisable to inform M. Pichon of the communication which you had directed His Majesty's Ambassador at St. Petersburg to make to M. Isvolsky. When therefore I called on his Excellency yesterday evening, I reminded him of the observations which he had made to me on the 7th ultimo (see my despatch No. 402 of the 8th October) on the subject of the consent of His Majesty's Government to an increase in the customs duties with a stipulation that an assurance should be given by the German Government in regard to the Bagdad Railway, and I asked him whether he had made or received any further communication on the subject. His Excellency said that he had drafted a formula which, whilst having the effect of precluding any part of the proceeds of the additional customs duties being employed for the purpose of the Bagdad Railway, would, he thought, safeguard the interests of all the Powers in other matters. As he told me that he had not quite recently received any communication from the French Ambassador in London on the subject of the Bagdad Railway, I read to his Excellency your telegram of the 18th instant to Sir Arthur Nicolson, and he expressed a prospect of a settlement of the question. He further said that he did not think that the Ottoman Bank and their German partners in the railway, raising money for the railway would be able to obtain all the requisite funds without recourse to the Paris market, and the French Government did not intend to allow a quotation of the loan on the Bourse except on conditions which hitherto the German company had not been willing to accept.

I have, &c.

FRANCIS BERTIE.

[42457]

No. 31.

Sir Edward Grey to Sir A. Nicolson.

(No. 1340.)

(Telegraphic.) P.

Foreign Office, November 23, 1909.

BRITISH participation in the Bagdad Railway.

Please refer to your telegram No. 494 of the 19th instant.

You should make the position of affairs clear to M. Isvolsky as follows: The 4 per cent. increase in the Turkish customs duties is a concession which we are making. A free hand has already been given by the concession itself, and not owing to anything we are doing. What we have to do now is to protect ourselves in the matter of the customs by making our consent to the increase conditional on some stipulation about the railway. Russia is at liberty to make a similar stipulation, although the other Powers do not appear to be desirous of doing so; in fact, we are marking time in the matter. I have been very frank with M. Isvolsky of the state of affairs as soon as the question was first raised, and up to now I have made no communication to the German Government other than the two statements that, first, an obstacle to an Anglo-German agreement about the railway—an obstacle which I would do my best to overcome—lay in the obligation we were under to come to an understanding with Russia, and, secondly, that our consent to the 4 per cent. increase must be conditional. We have not yet entered into official negotiations with the German Government, so that it should be noticed that we have no authority for our ideas of the terms likely to prove acceptable to the Germans except that of the information volunteered to us by Dr. Gwinner, and conveyed to us indirectly through unofficial channels.

We have always demanded—and we still refuse to waive our claim—the construction of the section south of Bagdad and its control when built. More than ever is this important now, since we are in some danger of losing the river transport for our Indian trade in Mesopotamia, which we have controlled for half a century, owing to irrigation schemes now being initiated by the Turkish Government in Mesopotamia of a kind probably calculated to render the rivers non-navigable, in which case no means of transport would be available until the completion of the railway. These being our requirements, it is essential that we should learn on what conditions Russia would be willing to participate in the line north of Bagdad. Whether England and Russia so

participate or not, the line will assuredly be built. His Majesty's Government must take steps to meet the situation, and they desire to know the views of the Russian Government before going further with the offer made to them.

With reference to your private letter, we have kept M. Isvolsky informed, we have not been in a hurry to put Russian Government in possession of Gwinner's views within two days of hearing them ourselves through private channels. I am therefore at a loss to see the justification for M. Isvolsky's annoyance.

[42457]

No. 32

Sir Edouard Grey to Sir F. Bertie.

(No. 736.)

(Telegraphic.) P.

Foreign Office, November 23, 1909.

MY telegram to St. Petersburg No. 1340 of to-day and Sir A. Nicolson's telegram No. 494 of the 15th instant.

You should communicate substance of these telegrams to the Minister for Foreign Affairs.

[4328]

No. 33.

Sir Edouard Grey to Sir F. Bertie.

(No. 470.)

Sir,

Foreign Office, November 23, 1909.

I TOLD M. Cambon to-day that a little time ago Herr von Schoen had observed, informally and in the course of general conversation with Sir Edward Grey, that irritation was caused in Germany by the fact that we appeared so often to be obstructing the Germans in commercial enterprises. Herr von Schoen had mentioned coaling stations and the Bagdad Railway.

A few days after this I had taken an opportunity of telling Count Metternich frankly exactly what we were doing about the Bagdad Railway. I explained to him the condition which we had made with regard to the increase of the Turkish customs duties. It was impossible for any British Government not to make this condition, owing to the fact that the construction of the Bagdad Railway and the carrying out of the irrigation works now projected to the south of Bagdad would displace existing means of communication in which we were largely interested, and would introduce changes into the whole trade of Mesopotamia, in which we were also largely interested. I pointed out to Count Metternich that it was out of no ill-will to Germany, but out of the necessities of the case, that we had stipulated that the revenue derived from the increased customs duties should not be used for the construction of the Bagdad Railway. I then pointed out to Count Metternich that we had always felt that France and Russia were interested in the question of this railway, too. French participation presented no difficulty. I could not point out to Count Metternich that we were not willing to quarrel with Russia about this question. It was therefore for Germany to arrange how the difficulty with Russia could be overcome. For my own part, I was prepared to give my attention to the question of the railway, in order to find a solution.

I told M. Cambon that this was all that had passed with the German Government. I had, however, heard from a private source that Herr Gwinner had been talking to Sir William Whittall and others at Constantinople, and had been saying that Germany must have the new revenue from the increased duties for the Bagdad Railway, and that to secure this she might be prepared to eliminate from the railway concession the section of the line between Bagdad and the Persian Gulf, and hand this section over to Great Britain. If that was done, it was clear that British interests would be safeguarded, and there would be no further need for objection on this point to the increase of the customs duties.

I explained to M. Cambon that, within two days of hearing Herr Gwinner's views, I let M. Isvolsky know what the new situation was; and I then communicated to M. Cambon the substance of the telegrams which I had sent to Sir Arthur Nicolson on the subject. M. Isvolsky was now very much disturbed, and he considered that we were not doing enough.

I thought that M. Pichon ought to know what had happened, and I had kept Sir F. Bertie informed. We were not going to give up the Bagdad Railway, the Persian Gulf, the Turkish customs duties if our own interests were safeguarded, and I had been obliged

to put the situation before M. Isvolsky in order that he might decide what line to take.

M. Cambon said that as far as France was concerned there was, of course, no difficulty. He was much interested in the advance which Herr Gwinner had made, and he looked upon it as suspicious. He then told me that he heard Sir William Willcocks was negotiating with an important English and French group concerning the Hst Railway, which he regarded with favour.

I replied that Sir William Willcocks had explained his project to me. I feared that it would cost more than he expected. But in any case we were much more interested in it than in the Bagdad Railway to the north of Bagdad, and we were favourable to it. I then showed M. Cambon on the map how the irrigation works would render impossible the river traffic in which we were interested. It was therefore essential that we should get a concession for a railway from Bagdad to the Persian Gulf to take the place of this river communication.

I am, &c  
E. GREY

[43086]

No. 34.

Sir A. Nicolson to Sir Edouard Grey.—(Received November 24.)

(No. 495.)

(Telegraphic.) P.

St. Petersburg, November 24, 1909.

I FOUND M. Isvolsky this afternoon more rational and cheerful. I gave him the substance of your telegram No. 1340. He told me that since our last conversation he had been examining the question of the Bagdad Railway, and he read me the telegram which had been dispatched in September 1907 to Count Benckendorf after the subject had been broached at Windsor. He said that since that time he had been patiently waiting for the beginning of the conversation *à quatre*, and he had refrained from any discussion with the German Government.

It seemed now that the Germans had made informal proposals that we should disassociate ourselves from any interest in the railway north of Bagdad, confining ourselves to the southern section. He said that we had a perfect right to accept this proposal, but if we did so the arrangement would be clearly *à deux*, and in those circumstances the Russian Government would consider themselves at liberty to try to come to an independent arrangement with Germany as to the section north of Bagdad. He said that he thought that the above would be the sense of his reply to our communication. I said I would communicate with you again, and till then I begged him to send no answer.

I begged him to disabuse himself of any doubts which he might have as to our having accepted or even entered into negotiations with regard to any proposals. Certain information had come to our knowledge, which had been immediately communicated to him. He had also been informed of what had been said to the German Ambassador. Now we were asking for his views and the conditions on which the participation of his Government in the railway might be secured.

M. Isvolsky said that he perfectly understood. He declared that he had no desire to express doubts or to make reproaches. He said that the attitude we had adopted in regard to the southern section of the railway was perfectly clear to him, but it appeared that, unless we disassociated ourselves from any interest in the northern section, the German Government would not be disposed to open more formal and official negotiations.

It seems to me now that M. Isvolsky, having thought over the question, would not be annoyed if we did come to some agreement with Germany which left him free to make some separate arrangement with her for the protection of Russian interests. This would suggest that you kindly send me a telegram to the effect that you will shortly be forced to open a discussion on the basis proposed by M. Gwinner, as the matter is pressing, and it is important that the Russian Government should be kept at their conditions if they continue to desire that the conversation should be *à quatre*. I think

[1703]



He said that as yet the Russian Government had sent no reply to the Porte on the subject of the 4 per cent. surtax, and that they understood, from the penultimate paragraph of the memorandum of the 14th September, that it was distinctly laid down that the surcharge should not be applied to the Bagdad Railway guarantee. It was quite possible that the reservations of the Russian Government would be the same as those of His Majesty's Government if the above interpretation proved to be incorrect.

No. 35.

(No. 1543.)

Foreign Office, November 26, 1909.

Gwinner's proposals to us, embodying as they do the minimum absolutely indis-  
pensable to safeguard our interests and calm public opinion at home, have not yet, as  
you know, been answered by His Majesty's Government, who have merely communicated  
the substance of them to the Governments at Paris and St. Petersburg. In spite of the  
desire of the British group, which they have strongly urged on us, to obtain the Bagdad-  
Khanikin branch line concession, we are disposed, provided we can obtain what is  
forthelodged in Gwinner's proposals, to disinterest ourselves completely in the line north  
of Bagdad. A Bagdad-Khanikin concession granted to us, or granted to Russia and  
ourselves on the basis of joint construction and control, would indeed meet our views.  
But we must have the concurrence of the Russian Government before

[illegible]

We would be very glad to contact you, and to let the Indian Government.

Reference is to your telegram of the 24th November, No. 495.

No. 36.

(No. 487.)

{Telegraphic} P.

St. Petersburg, November 27, 1884

PLEASE refer to your telegram of yesterday No. 1844 respecting the Bagdad Railway, substance of which I communicated to the Minister for Foreign Affairs this afternoon.

His Excellency observed, as regards a Bagdad-Khanikin branch, that a concession had been granted by the Ottoman Government for a railway to the city of Bagdad, which was to join the main line north of Bagdad, and that, if negotiations were started on the basis suggested by M. Gwinner between Germany and England, Russian interests would, of course, require that discussions should begin between Berlin and St. Petersburg; if, however, an agreement had already been reached between England and Germany, the position of Russia in entering into discussions with the latter Power would be seriously weakened.

On M. Isvolaky remarking that for the purpose of bargaining with the German Government it was of course essential that he should have some asset in his hands, I observed that in any case no *quid pro quo* should be offered to Germany in the part of Persia outside the British and Russian spheres, as the terms of the Anglo-Russian convention would hardly admit of such a transaction. (I confess that personally I am not quite sure if this is so.) M. Isvolaky remarked that he had not said that that was the direction in which he would look when driving his bargain, but he could not go to Germany empty-handed. Germany would be very desirous to negotiate with if His Majesty's Government did accept the proposals made to us. After conversing for some time more with M. Isvolaky I tried to elicit from his Excellency the answer which he would wish me to send to you; but he would only say that his reply would be given later, and that the question must first be examined with great care. More, I regret to say, I was unable to extract from him. I represented to his Excellency the danger of all offers being with-trawn by Germany and of the line being constructed by her alone without either Russian or English co-operation if no move were made and nothing done by the other Powers concerned. M. Isvolaky then said that the question put to me by him when we last discussed the matter still remained unanswered. On my enquiring to what question he referred, he replied that he wanted to know if the proposals put forward by M. Gwinner were going to be accepted by His Majesty's Government or not, and were all interests in the line north of Bagdad to be abandoned? In fact, was a conversation *à deux* to be definitely substituted for a conversation *à quatre*? I told him that as yet no decision had been come to. The Ministers of the Government were waiting to learn his views, but if there were finally any agreement, it would have to decide in the above sense. M. Isvolaky then put on the paragraph requesting customs surtax in the Turkish note, i.e., that Turkey is thereby debarred from applying the proceeds of the line to her own use. I asked him if he thought the interpretation correct? I replied that no reply had been sent to me on this question.

I find it impossible to obtain a definite answer from M. Ivolosky; and in those circumstances you may possibly wish that I should give him positively to understand that you will advise the British group to wait no longer and proceed with negotiations with M. Gwinner. In my private letter of the 19th instant I observed that it might be dangerous to leave M. Ivolosky to negotiate with Germany alone, and I am still somewhat apprehensive in this respect. But it may possibly be better to secure the Baghdad-Perman Gulf section of the line and run this risk.

No. 37.

*Mr. Marling to Sir Edward Grey.—(Received November 29.)*

(No. 933. Secret.)

5

Constantinople, November 24, 1900.

I HAVE the honour to acknowledge the receipt of the despatch No. 355, Secret, of the 16th November, in which, after informing me that from information derived from Sir Adam Block it would appear that the revenues assigned by the Porte as guarantees for the interest on the construction loans of the Bagdad Railway (excluding the proceeds of the prospective 4 per cent. increase of the customs duties) will suffice for the cost of building of the second and third sections of the line, but not for the fourth and fifth sections, you are so good as to ask my views as to how the railway company propose to finance the construction of the latter two sections. I am not aware of the substance of the communications you have received from Sir Adam Block, nor, so far as I can ascertain, has he recently expressed any such view to the embassy. Sir A. Block, who called on me this morning, cannot recall the communication to which you allude. The only expression of that gentleman's views that I can find in the embassy is contained in some notes appended to a memorandum of a conversation he had with M. Huguenin, the director of the Anatolian Railway Company, on the 4th August last, in which he says: "I consider that normally the Public Debt revenue will shortly increase, and will eventually suffice for sections 4 and 5."

Sir A. Block sent a copy of this memorandum to Sir C. Hardings about the same time that he communicated it to Sir G. Lowthef.

To return to the question of how the company now intend to find the security of the fourth and fifth sections of the railway, Sir A. Block informs me that there are

three sources of revenue handled by the Debt which might be drawn on, viz.: (1) Surplus of the tithes collected by the Debt for railway guarantees, amounting to something between £ T. 60,000 and £ T. 100,000 per annum; (2) the interest on the reserve fund of the Debt when that fund reaches £ T. 2,000,000—this may very well occur within twelve months, and the interest available may be put at £ T. 80,000; and (3) the advance of £ T. 250,000 which the Debt undertook to make to the Government for the needs of Macedonia. It is clear that, with the anticipated increase of the Debt's surplus, the Sublime Porte will eventually dispose of more than sufficient revenues to find the £ T. 244,000 required for the third series.

From Sir A. Block I have also learnt that there has been an exchange of views between the Minister of Finance and M. Kautz, the director of the Bagdad Railway, as to the revenues, other than the 4 per cent., which could be assigned to the service of series 2 (sections 2 and 3), and with the following result: Djavid Bey proposed the surplus revenues of the Debt, about £ T. 200,000, the sheep tax of the vilayets of Adana and Aleppo, set free for forty years by the recent transaction concerning the Russian loan indemnity, and estimated at £ T. 40,000, and, lastly, the surplus of the tithes collected by the Debt, which may be placed at between £ T. 60,000 and £ T. 100,000 per annum. M. Kautz, who had been in the Ministry of Finance but who had since been transferred to the Ministry of Public Works, demurred, however, and said that the moneys would be paid into the Government by the Debt, and the Minister of Finance would make the requisite payments to the railway company. To this M. Kautz objected, and said that if the Government insisted he must ask for a *quid pro quo*, viz., an undertaking by the Government to ensure the completion of the railway from Bagdad to Mosul. He said he would telegraph to Berlin to ask for authority to treat on these lines.

This move on the part of the Germans is a clever one, and it implies that they do not intend to renounce their claim on the 4 per cent. without obtaining a valuable concession in exchange. They can, moreover, argue to the Turkish Government that to see the line carried to Mosul is in the interests of the Treasury, for the Aleppo-Mosul section ending as it would on *laissez* would not pay, and the kilometre guarantee would be a heavy burden on the Treasury. The line from Bagdad to Mosul the through traffic thence would greatly increase the receipts and diminish the amount required as kilometre guarantee accordingly.

M. Kautz, with whom Mr. Fitzmaurice had some conversation yesterday afternoon, speaks with great confidence of the strength of the German position. He says that by making it a condition that the 4 per cent. should not be utilised for railway guarantees His Majesty's Government had declared war on the Bagdad Railway, which it was in the Turkish interest to have built, but that if the Germans did not obtain satisfactory financial arrangements to carry out their engagements with the Turks they themselves would withhold their assent to the increase of the customs duties, and the Turks would logically conclude that their refusal was owing to the attitude of Great Britain in the railway question. This attitude of M. Kautz is no doubt a bargaining one, and he gave it to be understood that he would prefer some business-like *entente* with the British as regards the completion of the line.

I have, &c.

CHARLES M. MARLING

[48716]

No. 38.

Sir F. Bertie to Sir Edward Grey.—(Received November 30.)

(No. 466. Secret.)

Sir,

Paris, November 28, 1908.

I HAVE not seen the Minister for Foreign Affairs since writing my despatch No. 455, Secret, of the 20th instant, respecting the application to the Porte by His Majesty's Government for a concession for a railway from Bagdad to the Persian Gulf, with a branch from Bagdad to the Mediterranean. His Excellency has been absent from Paris, and since his return has been too much occupied with parliamentary questions and matters connected with the visit of the King of Portugal to be able to receive me.

On receipt of your telegram No. 735 of the 23rd instant, I requested Mr. Carnegie to hand to M. Conty, in the absence of the Permanent Director at the Ministry for

Foreign Affairs, the memorandum of which a copy is enclosed herein. M. Conty promised to lay the memorandum before M. Pichon on his Excellency's return to Paris. On the 20th instant, however, I forwarded to M. Pichon, in a private letter, a further memorandum, of which a copy is transmitted herewith, informing him of the communication which you had instructed Sir Arthur Nicolson to make to the Russian Minister for Foreign Affairs.

I have, &c.

FRANCIS BERTIE.

Enclosure 1 in No. 38.

Memorandum communicated to French Ministry for Foreign Affairs.

SIR FRANCIS BERTIE informed his Excellency M. Pichon on the 19th instant of a communication addressed by Sir Edward Grey to His Majesty's Ambassador at St. Petersburg in regard to the Bagdad Railway, in which it was stated that His Majesty's Government had been given to understand that the German Government might be disposed to waive, in favour of His Majesty's Government, all their rights to construct a railway south of Bagdad, leaving it to them to come to an arrangement with the Turkish Government in regard to the construction of a line from Bagdad to the Persian Gulf on the understanding that the British group should have nothing to do with the line north of Bagdad. It was imperative for British interests in Mesopotamia to obtain the concession for such a line, and, should it be granted, His Majesty's Government would consider the possibility of agreeing unconditionally to the proposed increase in the Turkish customs duties, to which all the other Powers seemed disposed to give their consent.

Sir Arthur Nicolson informed M. Isvolsky of this communication on the 19th November. In reply to an observation made by his Excellency that Germany was apparently to be given a free hand in the construction of the line north of Bagdad, Sir Arthur Nicolson has been instructed to point out that the existing concession has been granted on the understanding that the British group should have nothing to do with the line north of Bagdad, and that she hoped to obtain through the increase of the Turkish customs duties.

With the exception of Great Britain all the Powers appeared to be willing to consent to the proposed increase without any reservation in regard to the Bagdad Railway. In these circumstances His Majesty's Government were obliged to consider what stipulations should be made for the protection of British interests in consenting to the increase of the customs duties. Russia was free to take similar steps, and His Majesty's Government desired to ascertain the views of M. Isvolsky before proceeding with the matter. Sir Edward Grey had hitherto not said anything to the German Government, except that he felt compelled to make his consent to the increase of the customs duties dependent on an agreement in regard to the Bagdad Railway, and that one of the difficulties in the way of the participation of Great Britain in the scheme lay in the necessity for an agreement with Russia and France on the subject. He had said, however, that he would endeavour to discover a solution, and he had at once communicated with M. Isvolsky.

Sir Arthur Nicolson was further instructed to remind M. Isvolsky that the belief as to the terms to which Germany might be disposed to agree was not derived from negotiations with the German Government, as no such negotiations had taken place, but was based on information obtained through unofficial channels.

Sir Edward Grey considered that it was essential that the Russian Government should arrive at a decision as to the conditions on which they would be prepared to participate in the construction of the line north of Bagdad. Such conditions had not yet been communicated to His Majesty's Government. His Majesty's Government had always demanded that the control and construction of the railway south of Bagdad should be in their hands, and they could not be satisfied with less than this.

The matter had become one of the greatest importance to British interests. The Turkish Government were commencing irrigation works south of Bagdad, and it was probable that as a result of these works the rivers would become un-navigable from want of water. The transport by river of the trade with India, which had been in British hands for over fifty years, would consequently be rendered impracticable and,

[1703]

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until the railway was built, no other means of transport would be available. It seemed, moreover, a matter of absolute certainty that the railway would be built at some future time whether England and Russia participated in its construction or not. His Majesty's Government must, for the above-mentioned reasons, give close consideration to the present situation and the offer which they had received. They desired, however, to learn the views of the Russian Government before taking any further action in the matter.

Paris, November 24, 1909.

Enclosure 2 in No. 38.

Further Memorandum communicated to French Ministry for Foreign Affairs.

His Majesty's Government have as yet returned no reply to the German proposal put forward by the Baghdad Railway Company. This proposal represents the minimum which could be accepted by the British Government in Great Britain and as a safeguard to British interests. His Majesty's Government would be willing to waive their interests in the line to the north of Bagdad if, by so doing, they could arrive at an agreement in regard to the southern portion, although the British group interested in the railway have urged them to endeavour to obtain a concession for the construction of a branch line to connect Bagdad with Khanikin. His Majesty's Government realise, however, that such a line, terminating as it would at a locality on the limit of the Russian sphere of interests in Persia, might affect Russian interests, and, though they would be glad to secure a concession for such a line or to participate with Russia in its construction and operation, they will refrain from doing so unless they are assured of the concurrence of the Russian Government.

The German Government are cognisant of the proposals made by the Bagdad Railway Company, but His Majesty's Government are disposed to leave it to the English group interested to conduct the negotiations in regard thereto on a purely commercial basis.

His Majesty's Government have been informed of the views of the Russian Government in regard to their participation in the railway, but the matter is somewhat urgent, as a decision in regard to the question of the increase of the Turkish customs duties cannot be delayed indefinitely. The refusal of the German Government to recognise the interests of Russia in the Russian sphere of influence in Persia caused the abandonment two years ago of the Russian negotiations with Germany. Though His Majesty's Government would naturally raise no objection to the withdrawal by Germany of this condition, they could not remain indifferent should any concession be granted by Russia to Germany in the neutral zone in return for the recognition by the latter of the interests of Russia in the Russian sphere, for they hold that article 3 of the Persian convention of 1907 precludes the grant of such a concession.

His Majesty's Government would of course not raise any objection should negotiations be opened by Russia with Germany in regard to Russian participation in the portion of the railway to the north of Bagdad, but they trust that in such an event they would be kept informed of the progress of such negotiations.

Paris, November 27, 1909.

[43850]

No. 39.

Sir A. Nicolson to Sir Edward Grey.—(Received November 30.)

(No. 400)

(Telegraphic.) P.

St. Petersburg, November 30, 1909.

I am informed by the French Ambassador that he had a conversation yesterday with M. Isvolsky on the subject of the Bagdad Railway. M. Louis found the Minister for Foreign Affairs in a state of great perplexity and preoccupation as to the attitude of the Russian Government towards the proposals of M. Gwinner were accepted by His Majesty's Government. The French Ambassador said he hoped we would be conciliatory towards a proposal

which he says M. Isvolsky is going to make to me. The Minister for Foreign Affairs intends to speak to me on the subject of Persian railways and their linking up with the Indian lines. If I am approached on this point, shall I call M. Isvolsky's attention to the fact that the Russian Government have never sent a reply to our memorandum of October of last year, and that they have already agreed in principle to a line from Julfa to Mohammerah? Or would this line still be desired if His Majesty's Government have the control and construction of the southern section of the Bagdad line in their hands? As to linking up the Persian with the Indian lines, would you be disposed to permit such a concession to be applied for, thus earmarking it and excluding other competitors even though construction were postponed for an indefinite period, or should I maintain our former *non possumus* attitude?

During my conversation with M. Louis I observed that I understood that M. Gwinner's proposals were not objectionable to the French Government. His Excellency answered that his Government might ask for some compensation, though possibly they had no objections to the proposals in themselves.

[43445]

No. 40.

Sir Edward Grey to Sir A. Nicolson.

Foreign Office, November 30, 1909.

Please see your telegram No. 407 of the 27th instant.

M. Isvolsky should be made to understand that, although it is true that negotiations between a group of English financiers and Herr Gwinner have already been entered upon, and that the progress of these negotiations is reported to us, we have not entered into any negotiations with the German Government.

The exact form of the proposal which these communications will lead to is at present unknown to us. We cannot tell for certain whether the proposal will be one which His Majesty's Government could accept, until it has been put before us, and until the German Government have signified their approval of it. In any case, in the event of its proving acceptable, we should consult the French and Russian Governments on the subject before notifying our acceptance, so that in coming to an agreement the Governments of France and Russia have meanwhile been kept informed of the progress of the negotiations. I will report our views before M. Isvolsky will be reciprocated by him.

[43959]

No. 41.

Sir A. Nicolson to Sir Edward Grey.—(Received December 1.)

(No. 500)

(Telegraphic.) P.

St. Petersburg, December 1, 1909.

I communicated the substance of your telegram No. 1346 on the subject of the Bagdad Railway to M. Isvolsky to-day. He appeared pleased, and said he hoped to be in a position to send a reply to our various communications shortly. He said that all the points would not be comprised, as there were some which the Russian Government would have to take time to consider. As regards his idea as to what was meant by the final paragraph of the Turkish note regarding the surtax, he again enquired if I was yet in possession of the views of His Majesty's Government.

His Excellency also spoke on Persian railways. I will report his observations on this subject by to-morrow's bag, as it is not of immediate urgency.

[43959]

No. 42.

Sir Edward Grey to Sir A. Nicolson.

(No. 1349.)

(Telegraphic.) P.

Foreign Office, December 2, 1909.

BAGDAD Railway and 4 per cent. surtax. Please refer to your telegram No. 500 of the 1st December.

Though the assurance given by the Porte may be regarded as satisfactory in itself, we can consider the question as settled until the German Government absolve the Porte from the undertaking which they have entered into with Germany to affect the proceeds of the proposed increase of customs dues to the Bagdad Railway.

The Germans apparently intend to maintain their lien, though from Turkish sources we were originally informed that the Porte would obtain from the German Government that the proceeds of the surtax would not be claimed for the railway.

[44041]

No. 43.

Sir F. Bertie to Sir Edward Grey.—(Received December 3.)

(No. 470. Secret.)

Sir,

Paris, December 1, 1909.

TO-DAY was M. Pichon's weekly receiving day, and I had a conversation with his Excellency on the subject of the Bagdad Railway. I found that the French Ambassador in London had fully reported to M. Pichon what you had said on the subject to me. A despatch of the 1st inst. is being sent to the French Government.

No. 470, Secret, of that day, which I had the honour to receive last night.

I read to M. Pichon in French the portion of Sir Arthur Nicolson's telegram No. 495 of the 24th ultimo beginning "I communicated to the Minister for Foreign Affairs your telegraphic instructions. He said that he had been looking into the question," and ending "But then the 'conversation à quatre' would be abandoned. I also read to his Excellency the first part of Sir Arthur Nicolson's telegram No. 497 of the 26th ultimo beginning "I communicated to the Minister for Foreign Affairs your telegraphic instructions. He said that he had been looking into the question," and ending "in negotiating with him." I further read to M. Pichon the whole of your telegram No. 497 of the 26th ultimo, His Majesty's Ambassador at St. Petersburg with the purport of which his Excellency expressed himself as very satisfied.

As a result of this conversation, I have been instructed to inform you that the French Government, in view of her commercial interests, her political interests in the Persian Gulf, and her interest in a railway on the high road to India, to have a control over the portion of the Bagdad Railway from Bagdad to the Persian Gulf. It would be necessary to make sure that no part of the increase in the Turkish revenues consequent on the proposed surtax of 10 per cent. on the customs dues should be payable to the Turkish Government. It is strictly guaranteed except on conditions acceptable to France, England, and Russia. His Majesty's Government have no objection to the French Government's proposal that it would be necessary that France should have some *quid pro quo* for her consent. The French Parliament would naturally expect it. He had given directions for a study of the matter, but he had avoided bringing it before the Cabinet for the present for fear that something might leak out and hamper the negotiations between the English financial group and the German company through M. Gwinner.

M. Pichon having told me, in reply to my enquiry as to the Minister with whom it would be necessary for him to arrange the terms to be submitted to the Cabinet, that it was the Minister of Finance, I asked him whether he did not think that it would be advisable to consider at once with M. Coehery confidentially what France should require, so that if and when the negotiations with the German company came to a conclusion the French Government might not be further delayed owing to the French Government not being prepared to state the terms on which they would be ready to join in an agreement between the four Powers interested in the matter. M. Pichon authorised me to inform you that he would do so. In consequence of this, it is suggested that a stipulation should be made by the French Government should be a connection (*raccordement*) of the French railways in Syria with the Bagdad Railway. He would be averse to any land concessions, for it would have the appearance of spheres of influence, and would meet with strong opposition from the Young Turk party.

With regard to M. Isvolsky's observations to Sir Arthur Nicolson, M. Pichon said that the Russian Minister for Foreign Affairs was two years ago strongly opposed to the Bagdad Railway scheme, and his feeling against it had probably not diminished. As I would remember, M. Isvolsky's fear was that to connect Persia with the Bagdad Railway system would have the effect of diverting Persian trade, now passing through Russia, westward and southward to the Persian Gulf, and M. Pichon feared that it

would be rather difficult to persuade him to come to an agreement with the French and British Governments on the subject of the railway.

I suggested to M. Pichon that if the French Government showed to M. Isvolsky that whether he liked it or not the railway would eventually be constructed by the German company without the participation of Russia, France, and England, if those three Powers did not come to terms now with the German company and Government, M. Isvolsky might feel inclined to come into an arrangement *à quatre* instead of attempting to enter into a separate agreement with Germany. M. Pichon said that he hoped that it might be possible to persuade M. Isvolsky to arrange terms with the French and British Governments so that the three Governments might be united in their negotiations with the German Government, but he thought that it would be difficult.

I have, &amp;c.

FRANCIS BERTIE.

[43850]

No. 44.

Foreign Office to India Office.

(Secret.)

Sir,

Foreign Office, December 3, 1909.

WITH reference to previous correspondence respecting the Bagdad Railway, I am directed by the Secretary of State for Foreign Affairs to transmit to you, for Viscount Morley's information, copy of a telegram from His Majesty's Ambassador at St. Petersburg, raising questions as to the construction of the proposed railway from Julfa to Mohammerah, and as to the possibility of linking up the Indian and Russian railway systems, or at any rate as to the advisability of applying to the Persian Government to leave its construction to an indefinite future.

I am to state that Secretary Sir Edward Grey sees no object in discussing the question of the Julfa Mohammerah Railway unless the Russian Government raise it, nor does he consider that His Majesty's Government should bind themselves not to build a railway from Julfa to Mohammerah, or if British and Indian commerce were prejudiced by the construction of such a railway.

It has hitherto been held that public opinion in Great Britain and India is not yet ripe for the adoption of such a measure. Sir E. Grey thinks, however, that the Government of India might consider Sir A. Nicolson's suggestion for earmarking such a line for future construction after agreement with the Russian Government, with a view to preventing the concession from falling into the hands of any other Power.

I am to say that Sir E. Grey would be glad to receive Lord Morley's observations on the above points. I am also to add that a telegram since received from Sir A. Nicolson states that he has had a conversation with the Russian Minister for Foreign Affairs on the subject of railways in Persia, the report of which is being sent by King's messenger due to arrive in London on the 5th instant.

I am, &amp;c.

LOUIS MALLET

[44303]

No. 45.

Sir A. Nicolson to Sir Edward Grey.—(Received December 6.)

(No. 028.)

Sir,

St. Petersburg, November 28, 1909.

I WOULD beg leave to summarise certain conversations which I have had with M. Isvolsky on the subject of the Bagdad Railway. M. Isvolsky is now perfectly well aware that matters have not hitherto proceeded further than the reception by the British group of certain proposals made by M. Gwinner to the effect that the former should have the construction and control of the section south of Bagdad, and that if this proposal were accepted the British interests in the railway north of Bagdad would be waived. He further understands that His Majesty's Government lost no time in

\* No 39.

[1703]

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informing him of these proposals, and that hitherto they have not entered into any negotiations with the German Government on the subject. It has also been brought to his knowledge that the objections of His Majesty's Government to their consent to the increase of Turkish customs duties cannot be indefinitely maintained, and that the control and construction of the southern section of the railway are the minimum which would satisfy British public opinion and British interests; that, if necessary, Germany would of herself construct the whole railway without outside co-operation, and that His Majesty's Government are anxiously awaiting information as to the views of the Russian Government in regard to participation in the railway. The above are the chief points which have been brought to the knowledge of M. Lavolsky. His present attitude may be summarised as follows: He considers that the proposals of M. Gwinner constitutes an entirely new departure; he does not question the right of the British group or of His Majesty's Government to accept them, and he expects that eventually they will do so; he fully appreciates the loyalty of His Majesty's Government in so promptly informing him of the proposals, and of abstaining from accepting immediately proposals which are so eminently satisfactory to British interests. He regards an arrangement between England and Germany on the basis of the proposals of M. Gwinner as dispelling any expectation that the Bagdad Railway will be discussed between Germany, England, France, and Russia. It will necessarily annul any arrangement between Germany and England, by which the latter will secure the southern section, and in return abandon all interest in the line to the north of Bagdad. In these circumstances he considers that Russia will be left alone to discuss matters with Germany so far as Russian interests are concerned. These interests he regards, from the political, strategical, and economical points of view, as of great importance; and he is of opinion that Russia will enter into negotiations with Germany with her hands much weakened. Had he been able to have the continuation of British co-operation in these negotiations he would be more hopeful of their success. France, he considers is already in a sense a partner in the Bagdad Railway, and, moreover, her interests in the project are small in comparison with those of Russia. He has at present, so far as I have been able to ascertain, no definite views as to the basis on which he would endeavour to obtain a Russian participation in the railway. I do not think that he so much desires an actual participation in the railway; he rather wishes to secure indirect control. His views on the subject are, however, very vague. He has no definite portions of Persia in which Russia possesses direct and immediate interests. In what manner he may secure such assurances he is not at present very clear, but he is well aware that it is of the utmost importance to him. Of what character such a *quid pro quo* will be he does not know, nor is he decided as to the quarter in which he could find it. I do not think that he would consider himself bound from making it in the neutral zone of Persia, but he will keep His Majesty's Government informed of the progress of his negotiations with Germany whenever they may be commenced. Personally, I doubt if M. Lavolsky would be inclined to admit Germany into the neutral zone of Persia; but I hardly think in case of such an endeavour we could appeal to the Anglo-Russian convention, though we might have some grounds for doing so. It is not to support concessions to third parties in the zones of the other, but as the neutral zone there was, I submit, no restriction on third parties seeking concessions and no obligation on either party to abstain from supporting third parties in that respect. It was simply provided in article 3 that Russia would not oppose British concessions nor England Russian concessions in that zone. So far as I can recollect it was understood that there should be no mention of the liberty of action of third parties in the neutral zone. I do not think that we should keep the convention strictly within the limits of an understanding regarding British and Russian interests. It was for this reason that in my written paraphrase of your telegram No. 1343 of the 26th November I omitted any reference to article 3, though, in conversation, I alluded to the point without dwelling upon it, as I did not feel sure of my ground.

As regards the question of a line from Bagdad to Khanikin, M. Lavolsky remarked that the Germans had already a concession for a line from a point to the north of Bagdad to Khanikin, and he seemed to think that this would render superfluous a second branch from Bagdad to that place. With respect to the increase of Turkish customs duties, M. Lavolsky stated very positively that the Russian Government had no objection to the Ottoman Government from devoting any portion of the proceeds of the surtax to kilometric guarantees of any enterprise already commenced,

and within that category he placed the Bagdad Railway. He would like to have the views of His Majesty's Government on that point.

As matters at present stand, I should say that M. Lavolsky fully anticipates that His Majesty's Government will negotiate with the German Government, or allow the two groups to do so, on the basis of the proposals of M. Gwinner; and that therefore Russia will be left to come to the best terms she can with Germany. As to what offers he may be disposed to make in order to tranquillise his mind as to possible eventual German enterprise to the east of the Bagdad Railway I cannot say. My own impression is that if he feels he has a perfectly free hand, he may be disposed to offer a good deal, and on that point I confess I am not entirely at ease.

I have, &c.

A. NICOLSON.

[45122]

No. 46.

Mr. Marling to Sir Edward Grey. (Received December 13.)

(No. 910. Secret.)

Sir,

Constantinople, December 5, 1900

IN their report of the 24th July last the Mesopotamian Railways Committee state that they "understand that His Majesty's Government would be willing to guarantee a reasonable rate of interest on the capital invested by any British syndicate which might be formed" for the purpose of acquiring a concession for a railway in those regions, and, so far as I am aware, financial support in some such form is still under the serious consideration of His Majesty's Government. I would, however, venture to point out that the fact, if it became public, that His Majesty's Government intend to take a direct financial interest in any railway scheme in Mesopotamia, would make the negotiation of a concession for that purpose very problematic. As you are aware, the designs of England for territorial aggrandisement in the regions about the Turkish Gulf was, under the old régime, a favourite card to play with those who desired to thwart a British interests there, and this notion has been sedulously fostered of late, so that a widespread, if vague, distrust of our policy now exists in certain circles. How easily it can be aroused is shown by the excitement which ensued on the publication of the *Times* article of the 11th July. I make no manner of doubt that the Turkish Parliament, with its unreasonably susceptible patriotism, would look on the fact that His Majesty's Government were granting a concession as a *quid pro quo* for the concession of a railway. It would never sanction a concession, even if a Ministry could be found strong enough to decide in favour of granting it.

I would therefore venture to urge that, if possible, the utmost secrecy should be used in regard to the proposed guarantee, or that it should be granted in some form that need not necessarily become public.

I am, Sir, very respectfully,  
Yours faithfully,  
A. NICOLSON.

[45620]

No. 47.

Mr. Bas-Ironside to Sir Edward Grey. (Received December 16.)

(No. 58.)

Sir,

Berne, December 13, 1900

REPORT that, as announced by the "Times" correspondent in Berlin, a new company has been constituted at Olarus in Switzerland, termed the "Société pour la Construction de Chemins de Fer en Turquie," with a capital of 10,000,000 fr. (400,000 l.), for the purpose of further railway construction in Asiatic Turkey.

The immediate object is to extend the Bagdad Railway for a distance of 840 kilom. from Bulgaria.

The real reason for constituting the new company in Switzerland appears to be that the company has been formed by a Swiss syndicate, and is therefore a Swiss company, and

the founders hope by this means to attract more capital from France, Switzerland, and even Italy, than would be the case were the company to have been formed in Berlin.

As a matter of fact, it is understood here that the undertaking will practically be in the hands of the Deutsche Bank.

Messrs. Escher and Frey, of Zurich, are the only men of Swiss nationality represented on the board.

I have, &c.

H. O. BAX-IRONSIDE.

[44307]

No. 48.

Foreign Office to India Office.

Sir,

Foreign Office, December 17, 1909.

I AM directed by Secretary Sir Edward Grey to transmit to you herewith copies of despatches from His Majesty's Ambassador at St. Petersburg and His Majesty's Minister at Tehran,† relative to the question of railway construction in Persia.

An Viceroy's Minute of the 10th October 1909, in reply to a letter from the Secretary of State, is also transmitted to you. It is directed to the memorandum on this subject handed to the Russian Minister for Foreign Affairs on the 10th October 1908, and was forwarded to you by the Secretary of State in Mr. Mallet's letter of the 10th October of that year, but, in view of the approaching expiration of the Russo-Persian Agreement, whereby railway construction in Persia is barred, and of the progress of the Bagdad line, Sir E. Grey is of opinion that that reply should be brought forward and that the question of the Bagdad line should be further discussed.

Lord Morley will observe that Sir G. Barclay, referring to the Foreign Office memorandum of the 9th October, 1908, agrees with His Majesty's consul-general at Bunder, with whom he has lately conferred, in strongly opposing the construction of the proposed Julfa-Mohammerah line from north to south instead of from both ends simultaneously, and in considering inadvisable the imposition of differential rates on British goods on that portion of the line which will run through the Russian sphere, and that he is accordingly of opinion that the execution of the project should remain in abeyance till satisfaction has been obtained from the Russian Government on these points.

Sir G. Barclay and Major Cox are, however, in favour of earmarking without delay as a matter of general principle this and the other railways which would be of interest to His Majesty's Government, and they suggest, in this connection, that a line running from Bunder Abbas to Ahwaz by way of Shiraz and Bushire, after passing through Alahad, should be added to those lines which have been already specified.

Sir G. Barclay foresees great difficulty in inducing the Persian Assembly to grant to the two Powers preferential rights in respect of the lines concerned, on account of the strong feeling in Persia against such a grant, and he suggests that the grant should be made an indispensable condition of any advance which the two Governments may consent to make to the Persian Government.

Sir E. Grey concurs in the view of Sir G. Barclay and Major Cox as to the mode of construction of the Julfa-Mohammerah line, and as to the undesirability, in the interests of British trade, in admitting the imposition of differential rates on the Russian portion of it, but he considers that, as the settlement of the question is likely to cause difficulty and to give rise to much discussion with the Russian Government, it should be deferred and not allowed to delay the demand to be made on the Persian Government for preferential rights to construct this and other lines.

He also agrees that this demand should be made without delay in order to forestall possible demands of a similar nature by a third Power which, if granted, would react adversely on the lines proposed by Sir G. Barclay and Major Cox.

Finally, he shares Sir G. Barclay's view that a suitable moment for making the demand would be when the Persian Government apply to the two Powers for an advance of money, as Lord Morley is aware from Sir G. Barclay's recent telegram, there is every prospect of their doing immediately, and he agrees in believing that the demand should be made at once, as he has had some effect in

discouraging the Persian Government from granting concessions of the kind to a third Power, and possibly other Powers from asking for them.

Turning now to Sir A. Nicolson's despatch, Lord Morley will observe that M. Lavolaky is especially anxious that His Majesty's Government should not refuse to consider the question of the Russian and Indian railway systems.

As regards this question, Sir E. Grey fully recognises that, though this junction will doubtless be effected at some future date, the moment is still remote when such an enterprise could be carried into effect. He would, however, submit, for Lord Morley's consideration, that it is not to be expected that the Persian Government will have no adequate reason for refusing to demand from the Persian Government at once the preferential right to construct the line when it may suit His Majesty's Government to link up the Indian railway system with those of Persia and Europe by a line from Nushki to Kerman, Tehran, and Julfa. Such a demand in no way implies any obligation on the part of His Majesty's Government to grant such a privilege, and to this opportunity of making it might be punished by the grant of a similar privilege to a third Power, which might, for example, secure permission to build a line from Tehran to the south, with branches to Seistan and elsewhere. It is clear that the construction in Persia of lines in which Great Britain had no part would be far more detrimental to British interests than their construction with the participation and under the partial control of His Majesty's Government.

There is at the same time no fear that the Russian Government would themselves immediately begin the construction of the line of junction, since, as was admitted in M. Lavolaky's memorandum of the 15th August, 1908, they have no funds available for such a purpose.

An additional reason for pressing this demand is to be found in the obvious anxiety of M. Lavolaky that the question should not be treated as outside the range of practical politics. The concession to his Excellency's wishes involved in admitting it to consideration would, as clearly appears from his Excellency's observations to Sir A. Nicolson, be a matter of the highest importance to British participation in the construction of the Bagdad Railway which is a matter of the highest importance.

It is therefore in Sir E. Grey's opinion essential from a political point of view that this demand should be made without delay, while from a commercial standpoint there would appear to be no objection to the line which, if constructed, would help Indian trade to compete with Russian.

To resume, Sir E. Grey would suggest that, as a first step, the two Powers should, when the Persian Government approaches them with a request for pecuniary assistance, make it a condition of their consent to an advance that the preferential right as against other Powers to construct certain railways should be reserved to them, that these railways should include one from Julfa to Mohammerah by way of Tehran and one connecting the Caucasian Railways with the Indian system by way of Tehran, Kerman, and Nushki, and that His Majesty's Government, for their part, should also demand the right to construct lines from—

1. Bunder Abbas to Kerman;
2. Bunder Abbas to Ahwaz by way of Shiraz with the option of building a port at Khor Musa; and
3. Bushire by way of Alahad to some point on the Bunder Abina-Shiraz-Ahwaz line.

His Majesty's and the Russian Governments would afterwards discuss at their respective capitals the schemes and the terms for the construction of the lines which would concern them in common.

Sir E. Grey would be glad to receive at Lord Morley's early convenience an expression of his Lordship's views on this important question, and would at the same time send that Lordship's views should be taken of Major Cox's views in India to arrange a conference at which the views of the two Governments should be discussed and of your department to discuss the matter with the benefit of his assistance and advice.

I am, &c.

LOUIS MALLET

\* Sir A. Nicolson, No. 532, December 1, 1909.

† Sir G. Barclay, No. 205, November 8, 1909.



[46060]

No. 49.

Mr. Marling to Sir Edward Grey.—(Received December 20.)

(No. 965.)

Sir,

Constantinople, December 13, 1909.

THE German Ambassador, on whom I had occasion to call last Saturday, asked whether I knew that Mr. Whittall had been to London and Berlin in connection with the Bagdad Railway, and, if so, if I had heard what had passed. I said that Mr. Whittall had undertaken his journey on the suggestion of Dr. Gwinner, who had also invited Sir H. Babington Smith to discuss with him the question of British participation in that undertaking, that I did not know what had passed. I understood that Mr. Whittall had been commissioned by Sir E. Cassel to arrange for a meeting with Dr. Gwinner, a meeting which was to take place in one or two days, but that he had not been authorised to make any definite statement on behalf of Sir Ernest. The meeting was to have taken place in Paris, but owing to injuries received in a motor-car accident Dr. Gwinner has been unable to travel. Sir H. Babington Smith, I added, had just left Constantinople to take part in the conference. His Excellency said that he hoped that some result would be reached; he had never been able to understand on what grounds the "Times" had led the campaign against British co-operation, which had resulted in the breakdown of the negotiations in 1903, which he knew to have had the support of the Foreign Office; he understood that one

of the reasons was Sir W. Willcocks's scheme of a Bagdad-Homs-Damascus Railway, that was financially impossible, as the line was to pass over 400 kilom. of desert, where it could earn nothing, besides which, Sir William's estimate of its cost—2,500,000 £.—was much too low. I said that I did not know what His Majesty's Government's views were, but I thought it probable that they would communicate them to Sir E. Cassel, but otherwise leave him a free hand to deal with the financial aspects of the matter. Baron von Marschall again repeated his earnest wish that some arrangement satisfactory to the Powers could be reached, so as to put an end to the friction between them here.

I should perhaps remark that since the re-establishment of the constitution the German Embassy has made several efforts to regain its prominence in the councils of the Ottoman Government, but, being in the hands of an ineffectual, their Government has reason to wish to come to terms with us, and thus take the line of least resistance and secure the co-operation instead of the rivalry of British prestige and influence in this country. It may also have occurred to Baron von Marschall that, should the Germans fail to come to terms with us in the matter of the remaining sections of the Bagdad Railway, and should Great Britain throw the whole of her weight into the Bagdad-Mediterranean line advocated by Sir W. Willcocks, coupled with the navigation of the two rivers, the prospects of the German line ever being completed on its present conditions and *tracé* becomes very problematical. The Ottoman Parliament found it impossible to upset the convention for the sections of that railway up to Halif, but, as may be gleaned from the tone of the discussion over the Mesopotamian navigation project, it would almost certainly withhold its consent to any convention for the further sections on the old conditions.

I have, &amp;c.

CHARLES M. MARLING.

[40237]

No. 50.

Sir E. Cassel to Sir C. Hardinge.—(Received December 20.)

My dear Hardinge,

21, Old Broad Street, London, December 20, 1909.

I SEND you herewith copy of a memorandum of my conversations with M. Arthur von Gwinner. This memorandum was partially drafted by M. von Gwinner, and the whole has been approved by him.

Yours very sincerely,

E. CASSEL.

Enclosure in No. 50.

Memorandum of Conversations between M. Arthur von Gwinner and Sir Ernest Cassel, December 13, 14, and 15, 1909.

M. von GWINNER formulated his ideas on behalf of the Bagdad Company as follows—

With the consent of the Ottoman Government a separate company, English or German, to be formed, to construct a railway line from Bagdad to the Persian Gulf, which relates to the line from Bagdad to the Persian Gulf.

The capital of the new company to be 300,000 £. nominal (150,000 £. paid up), or a less amount as may appear sufficient for working the line.

A construction company to be formed, in Switzerland or elsewhere, upon lines similar to those of the construction companies formed by the Bagdad Company.

In both these companies an interest of 50 per cent. is claimed, which is to be distributed as follows:—

30 per cent.	for the Bagdad Company,
10     "	for the Anatolian Railway, and
10     "	for the Turkish Government.

M. von Gwinner says that he has discussed the question of the distribution of the profits of the line from Bagdad to the Persian Gulf with the English Government, and wished the English participation not to exceed 50 per cent. So far as the Bagdad Company is concerned, the English Government is to have a controlling proportion.

M. von Gwinner stated that the origin of this idea was Hussein Hilmi's remark asking him to come to an understanding with the English. Owing to the refusal on the part of the British Government to sanction the 4 per cent. additional customs unless an undertaking were given that the proceeds should not be pledged to the Bagdad Railway, there might now be a moderate deficiency in the provision of the security for the 3rd series of Bagdad bonds which are to be issued for the purpose of completing the line up to Halif. This security is based upon the excess at the public debt to which the Government is entitled, and which would be increased immediately if an augmentation of the Customs tariff were agreed to. It is not expected that this issue will have to be made for several years yet, when the other income will cover all requirements, but both the Turkish Government and the Bagdad Company recognise that it would be an advantage to have the security for the bonds of the Bagdad Railway provided without much delay, and the Germans distinctly object to a change of the existing security. A suggestion was made by M. von Gwinner to see whether arrangements could not be made by the Bagdad Company with English interests. The discussion of the terms was confined to the respective participations.

M. von Gwinner explained that he had verbally informed the Turkish Government that the Bagdad Company would be asked to pay 4 per cent. of the 4 per cent. additional customs beyond the Bagdad loans series 2 and 3. Their contract entitled them to this; but as they were anxious to meet the wishes of the Turkish Government and desirous not unduly to burden Turkish finance, it would in such case be left to the Government to fix themselves a future date on which they would provide the security for the construction from Halif to the Persian Gulf.

M. von Gwinner states that no arrangement for handing over the Bagdad end of the line to the Turkish Government would be made, unless it ensured the whole construction from Halif to the Gulf; this for the reason that, whereas a line terminating somewhere in Upper Mesopotamia would be a burden on the Turkish Treasury, a through line would soon pay itself, and immediately increase the revenue of Turkey by a larger amount than the expenses of its construction. M. von Gwinner says no other way of carrying this out except by assigning part of the additional customs dues to the guaranty of the Bagdad loans from Halif to the Persian Gulf. These loans would require about 500,000 £. per annum, the distance being some 1,100 kilom., whereof about 500 kilom. are between Halif and Basra, and the rest of about 600 kilom. from Basra to Zafar Junction to Kazima, on the Gulf of Koweit; this section may be built later). It appears from the Bagdad concession that the Turkish Government is to pay about



269,000 fr., in 4 per cent. bonds, per kilometre, being, at 80 per cent., about 8,500L. cash per kilometre. Now, M. von Gwinner explained this amount is an average (there are kilometres that cost six times the average); and, further, the Bagdad Railway requires to set aside a sum not inferior to 2,000L. on the 1,100 kilom. unfinished towards a reserve required for the working of the entire line, towards gradually increasing the rolling stock, and generally to fulfil the burdensome clauses of the concession. Accordingly, his proposal is that, of the subvention loan for the section from Bagdad to Bussorah, a sum of 2,000L. per kilometre should be left to the Bagdad Railway Company, the remaining 6,500L. per kilometre being amply sufficient to construct the line from Bagdad to the Gulf, to provide its rolling stock, and leave a sufficient reserve in the new company's treasury for fulfilling on this section the working of the line and conditions of the general concession. This concession for the line between Bagdad and the Persian Gulf would have to be transferred with the consent of the Turkish Government to the new company to be formed. The share which the old Bagdad Railway Company claims as its consideration, viz., the 30 per cent. interest in the new railway and construction companies, would remain in the old company's treasury.

Berlin, December 15, 1909.

[46381]

No. 51.

Sir E. Goschen to Sir C. Hardinge.—(Received December 31.)

My dear Hardinge,

Berlin, December 15, 1909.

AT the close of a conversation on general matters which I had with Herr von Schoen at his last official reception, he referred to Sir E. Cassel's visit to Berlin and to the discussions concerning the Bagdad Railway between that gentleman and Herr Gwinner.

He said that he would speak to me quite frankly and loyally upon this subject. It was quite possible that Sir E. Cassel and Herr Gwinner might come to a satisfactory agreement, as far as the commercial interests involved in the question were concerned, but, as he would have me to understand, it did not follow that the Imperial Government would see their way to confirming such an agreement, at all events at once. He did not wish me to think that the Government had any objection to British participation, because that was by no means the case. But public opinion in Germany would be up in arms and make things very unpleasant for the Imperial Government unless the latter could show that there was some return for what they would certainly regard as a concession. The so-called Lynch monopoly would add fuel to the flame, and there would certainly be a universal cry that German interests were being sacrificed with nothing to show on the credit side of the account.

Herr von Schoen then again repeated that the Imperial Government had no wish to raise any objection to British participation in the Bagdad Railway, and gave me to understand that, as, owing to events in England, there was no hurry about the matter, there would be plenty of time to discover some means by which German public opinion could be satisfied that the advantage was not wholly on the side of England. Perhaps even such means might be found on the resumption of the discussion with regard to the future relations between Great Britain and Germany. I told Herr von Schoen that he need not regard events in England as any obstacle to coming to an understanding about the Bagdad Railway, for, as I had already had the honour to inform him, Sir E. Grey was perfectly ready to discuss the matter with the Imperial Government as soon as the parties directly interested in the matter as a commercial understanding had exchanged their views on the subject; I had understood that this was the point of view of the Imperial Government also. In any case, until the two Governments were aware of the result of the discussions he had alluded to between Herr Gwinner and Sir Ernest Cassel, it was obviously impossible for me to agree or disagree with him as to the effect any agreement they might come to might have on German public opinion. I could only express the personal view that, as the discussions with regard to British participation had apparently been initiated by Herr Gwinner and were in his capable hands, it seemed fairly certain that the interests he represented were not likely to suffer much in any arrangement that he might suggest or accept, at all events not in a degree which was likely to shock German public opinion.

From the remark which Herr von Schoen casually dropped with regard to what might happen when the discussions concerning Anglo-German future relations were resumed, it may, I think, be fairly surmised that it is in the mind of the Imperial Government that the construction and control of the Bagdad-Persian Gulf section of the Bagdad Railway may be utilised as a lever to push His Majesty's Government farther in the direction of a political understanding than they have yet shown any disposition to go.

This alleged inability or reluctance on the part of the Imperial Government to face the Reichstag or public opinion unless they can show that they have got the best of a bargain has become chronic, and it has to be taken into serious account in all negotiations with which they are concerned.

I have had some talk with Sir E. Cassel upon the subject of his conversations with Herr Gwinner, and he read to me a memorandum recording the latter's proposals. As you will have seen him before you get this, it is not necessary for me to say anything about it, all the more that he read it too quickly for me to seize all the details. But of course I could not help remarking that kilometre guarantees play a certain rôle in Gwinner's proposals. I reminded Sir Ernest Cassel that His Majesty's Government particularly wished to avoid kilometre guarantees, but he said that that must be a matter for the Governments to discuss afterwards. The chief thing was to get the control and construction. He listed the principles of kilometre guarantees, but he would sooner have the concession with them than no concession at all.

I am, &c.

W. E. GOSCHEN.

[46357]

No. 52.

Sir Edward Grey to Sir A. Nicolson.

(No. 325.)

Foreign Office, December 31, 1909.

Sir,

IN the course of conversation with Sir Charles Hardinge on the 18th instant the Russian Ambassador said that M. Iavolsky realised that His Majesty's Government have acted quite loyally with regard to the Bagdad Railway.

M. Iavolsky's policy in connection with this line had always been a negative one, and at present was at a loss what to do. He was anxious to prevent the north of Asia Minor from becoming a German sphere of influence, and he wanted to have something to show the Russian public as a gain on his part in the event of His Majesty's Government coming to an agreement with the German Government with regard to the section of the line from Bagdad to the Persian Gulf.

Sir C. Hardinge pointed out to Count Benckendorff that the obvious policy of the Russian Government was to acquire the right of construction and control of the Khanikin branch of the Bagdad Railway, and that if M. Iavolsky obtained a concession for the construction of a line in the north of Asia Minor by way of Sivas and Diarbekir, regarding which discussions were already in progress, he should have no difficulty in satisfying the Russian public.

Sir C. Hardinge added that I was in favour of earmarking those railways which the two Governments might desire to construct in Persia, but that I was not yet in possession of the views of the India Office.

I am, &c.

E. GREY.

[46197]

No. 53.

Sir Edward Grey to Mr. Marling.

(No. 385.)

Foreign Office, December 31, 1909.

Sir,

THE Turkish Ambassador called at the Foreign Office on the 10th instant and was received by Sir C. Hardinge, to whom he handed a memorandum, copy of which is enclosed, on the subject of the proposed increase of the Turkish customs duties.

His Excellency was informed that if the Turkish Government had conceded at once what His Majesty's Government had asked, the conditions put forward need not have been regarded as such. For instance, Hilmi Pasha had objected to the with-

[1708]

8



drawal of the irade by which a veto was placed on loans raised by Egypt, on the ground that it would be opposed by the Turkish Parliament. To meet this difficulty we had suggested that the Turkish Government should address a note to the Egyptian Government, stating that whenever permission was required by the Egyptian Government to raise a loan for industrial enterprises or works of public utility, or for purposes of conversion, it would be given at once without delay; but Hihai Pasha had objected to this, and considered his proposal adequate, which was not the view of His Majesty's Government. As for the kilometric guarantees, we had asked for an undertaking in writing from the German Government or the German company that the proceeds of the 4 per cent. would not be demanded for the Bagdad Railway, but we had not yet received it, and without it the position could not be secure.

Tewfik Pasha took note of what Sir C. Hardinge had said to him as to Egyptian loans, and, as regards the kilometric guarantees, said that there would be no difficulty in obtaining an engagement from the German Government in the sense desired by His Majesty's Government, since it had been officially promised.

I am, &c.  
E. GREY.

Enclosure in No. 53.

*Memorandum communicated by Tewfik Pasha December 10, 1909.*

QUELQUE amicale et délicate que soit la forme sous laquelle elles furent présentées, les conditions de l'Angleterre concernant notre majoration douanière de 4 pour cent ont eu pour résultat d'engendrer un principe—celui des compensations. Le Gouvernement français, qui avait demandé qu'aucune Puissance ne retirât un bénéfice particulier à cette occasion et qui acquiesçait, sans réserves, à notre demande, suit maintenant l'exemple de la Grande-Bretagne et déclare que, si les Puissances subordonnent leur assentiment à l'obtention d'avantages particuliers, il ne peut, devant son propre Parlement, justifier un consentement sans conditions. L'Italie, la Russie observent une attitude analogue. Dès lors, nous nous trouvons en présence d'une série d'affaires de toute nature dont le règlement exige un temps matériel dépassant de beaucoup la période qui nous sépare du prochain exercice financier. Or, le Gouvernement Impérial ne trouverait dans une situation très embarrassante s'il ne s'assurait les ressources nécessaires à l'équilibre du budget. J'ai développé dans une dépêche antérieure les raisons qui nous imposent la majoration de 4 pour cent. Le Gouvernement britannique est donc amplement édifié sur le caractère pressant de nos démarches. L'amitié qu'il nous témoigne, l'appui qu'il est désireux de nous offrir trouveront dans les circonstances actuelles des motifs de s'affirmer pour le plus grand bien de notre pays. Nous demandons que l'Angleterre veuille bien renoncer ouvertement, non pas aux trois conditions qu'elle a formulées, mais au principe de compensation qui en découle.

En lui demandant cette nouvelle preuve d'amitié nous avons en vue l'effet de l'exemple sur les autres Puissances. C'est notre unique objectif. Et nous sommes d'autant plus fondés à croire que le Gouvernement britannique voudra bien favoriser nos démarches que les trois conditions formulées par lui se trouvent virtuellement réalisées. Ainsi, (1) la Compagnie des Chemins de Fer de Bagdad est prête à nous donner la garantie exigée au sujet de la non-affectation du surplus des recettes au Chemin de Fer de Bagdad; (2) le Gouvernement Impérial, lors du dernier séjour du Khédive à Constantinople, avait autorisé l'Egypte à contracter un grand emprunt; (3) nous n'avons pas d'objection à ce qu'un tiers de l'emprunt projeté soit émis en Angleterre; enfin, pour ce qui a trait à l'amélioration de nos services douaniers, cette œuvre, à laquelle nous attachons la plus grande importance, est dirigée par un Anglais, Mr. Crawford, dont les efforts actifs secondent ceux du Gouvernement Impérial. Cette collaboration, ayant déjà donné au delà de nos espérances, continuera de produire ses meilleurs fruits.

En résumé, nous demandons que, mû par un sentiment de sincère amitié, le Gouvernement britannique donne son adhésion à la majoration de 4 pour cent sans la subordonner aux conditions susdites, dont l'exécution prochaine est assurée par la bonne volonté commune qui anime les deux Gouvernements.

*Ambassade Impériale ottomane, Londres,  
le 10 décembre, 1909.*

[46697]

No. 54.

*Sir A. Nicolson to Sir Edward Grey.—(Received December 26.)*

(No. 517. Secret.)

(Telegraphic.) P.

*St. Petersburg, December 26, 1909.*

RUSSIA and the Bagdad Railway scheme.

The Russian views on the present phase of the Bagdad Railway question are set forth in a memorandum which I have received from M. Izvolsky. His Excellency, however, has explained to me that this memorandum is not to be taken as an exhaustive statement of the Russian attitude.

In the first instance the memorandum states that the Russian Government have not so far made any declaration to the effect that they will only accept the surtax of customs revenues on condition that the proceeds be not employed for the purpose of kilometric guarantees. Their reason for this was that they considered that an explicit assurance on that point was contained in the last paragraph of the Turkish note of the 5th September. It, however, the paragraph in question has no obligatory force on the Turkish Government, reservations similar to those made by His Majesty's Government will also be made by the Russian Government.

The memorandum then goes on to state that it is with great satisfaction that the Russian Government have learnt that the discussions which have taken place have so far only been discussions between the British and German financial groups, and that no proposal will be accepted by His Majesty's Government until the question has first been discussed with the Russian and French Governments, so that any agreement arrived at may be an agreement *à quatre*.

It is impossible for the Russian Government at present, in view of the complexity of the Russian interests involved, to formulate in detail the conditions on which they would be willing to join such an agreement *à quatre*. The question must first be examined thoroughly. The difficulty of giving their views on this point is further increased by the fact that no clear definition of the bases of the proposed agreement is contained in the communications which they have received from me.

The memorandum next points out that there is an essential difference between the views mentioned in the memorandum which was communicated to Count Benckendorff on the 6th June, 1907, and those now put forward in the German proposals. Are they to understand that His Majesty's Government have now abandoned the views set forth in the former? The memorandum of the 6th June, for instance, laid down that an international board should be established, whereas the German proposals only contemplate a simple division of the railway. According to the 1907 memorandum, English interests were to extend to a point to the north of Bagdad, whereas the present proposals cede to England only the section to the south of that place.

Before giving an opinion, the Russian Government would like to be informed of the views of the London Cabinet.

It was explained to me by M. Izvolsky that if Bagdad were to be the northern boundary of English interests, then the Khanikia branch would lie outside them, while their extension to a point farther north would take in the Khanikia branch.

In conclusion the memorandum states that as Russian interests in Persia might be seriously threatened by the Bagdad Railway, it is incumbent on the Russian Government to endeavour to come to an understanding on that part of the question by direct negotiation with Germany. They observe with pleasure that such an understanding would be viewed with favour by His Majesty's Government. The Russian Government on their side will not fail to observe strictly the arrangements respecting Persia which they have made with Great Britain in the past, and will keep the British Government informed of the course of the negotiations which they may open with the German Government on this question.

[46659]

No. 55.

*Sir A. Nicolson to Sir Edward Grey.—(Received December 27.)*

(No. 519.)

(Telegraphic.) P.

*St. Petersburg, December 27, 1909.*

BAGDAD Railway scheme.

Following is secret:—

I saw the French Ambassador to-day, and his Excellency told me in confidence



that intelligence had reached him to the effect that at Constantinople and Berlin the Germans were stating that it was the British group which had originated the proposal that the Gulf section should be given to us. They were stating, further, that the attitude adopted by the German group was that they were willing to discuss the question on condition that British interest in the Gulf section should be confined to participation only, and that the preponderance of German interests in that section should be maintained. M. Louis asked if I had had any information on the subject. I replied that in my opinion the rumour that the proposal had emanated from the British group was quite unfounded. I had grave doubts as to the rumour with regard to the attitude of the German group, for my impression was that discussions were being based on the original proposals of M. Gwinner. However, I had received no detailed information as to the recent pourparlers at Berlin.

I think M. Louis would prefer that his name should not be mentioned in connection with the reports circulated at Constantinople and Berlin.

[46237]

No. 56.

*Foreign Office to Board of Trade.\**

Sir, *Foreign Office, December 29, 1909.*  
I AM directed by the Secretary of State for Foreign Affairs to transmit to you copy of a letter from Sir E. Cassel,† enclosing a memorandum of his recent conversations with M. von Gwinner in regard to British participation in the Bagdad Railway.

I am to request that you will be so good as to communicate to me, for Sir E. Grey's information, the views of the Board of Trade on M. von Gwinner's proposals.

I am, &amp;c.

LOUIS MALLET.

[46697]

No. 57.

*Sir Edward Grey to Sir F. Bertie.*

(No. 743.) Secret.

(Telegraphic.) P.

*Foreign Office, December 30, 1909.*

BRITISH participation in the Bagdad Railway.

I referred in conversation with the French chargé d'affaires to-day to M. Pichon's statement, and expressed my satisfaction. The construction and control of the Bagdad-Gulf section of the railway may be offered to the British group as the outcome of the present negotiations between Cassel and Gwinner, arising out of the latter's overtures, but this is as yet uncertain. The position of His Majesty's Government is therefore as follows:—

They will have first to form an opinion as to whether they can consent unconditionally to the 4 per cent. increase on the strength of the terms of any given agreement which may be arrived at by the financiers. That opinion having been formed, we shall communicate it, together with the agreement in question, to the Governments at St. Petersburg and Paris, with a view to joint action by the three Governments in the matter as soon as France and Russia have signified to us what stipulations with regard to the railway they will feel called upon to make before consenting to the 4 per cent. surtax.

His Majesty's Government would, at any rate, require to know how the French and Russian Governments desire to arrange the question of the line north of Bagdad before considering any proposals for concessions of any section of that line or for its inter-nationalisation, since, although the British group have pressed us to interest ourselves in the Khankin branch, our chief object will be gained if we avert foreign control of the line south of Bagdad. The question of the line north of that point has not been touched on in present negotiations.

Gwinner's proposals have, as yet, led to no negotiations between the British and

\* Also to India Office, *mutatis mutandis*.

† No. 50.

German Governments, although we conclude that the latter know of them. Please inform M. Pichon of the above in substance, and point out that, in view of what immediately precedes, it still remains to gain the assent of the Turkish Government and of the German Government to any arrangement by the financiers, even supposing that arrangement to be satisfactory to His Majesty's Government.

[747]

No. 58.

*Minute by Mr. Mallet.*

Sir E. Grey,

SIR H. B. SMITH communicated to me this morning a letter from Herr Gwinner, repeating what we already knew that he (Gwinner) and the syndicate had no objection to our receiving a controlling share of, say, 60 per cent. in the Bagdad-Bussorah line, but that there might be political difficulties in the way (I imagine on the side of the German Government), and that objection might be anticipated from Turkey.

The Turkish objection he must leave entirely to Sir E. Cassel to settle with the Porte, as he can take no steps in the matter.

I said we could not proceed further without the views of the Board of Trade and the India Office, and that we should on receiving those draw up a memorandum embodying the precise terms which we could accept. This could be read to Sir E. Cassel or Sir H. B. Smith—whoever was available. It would then be for Herr Gwinner to reply.

We are negotiating at rather a disadvantage, and must be careful what we say to Cassel and Smith, for, whilst the German Government know that they are in touch with us and are aware, step by step, of what we are ready to agree to, Herr Gwinner says he is not in touch with his Government, who will probably make conditions if they accept the financial agreement at all. If Cassel is able to tell Gwinner informally that His Majesty's Government would, he believes, accept such and such terms, Gwinner ought to be able to tell Cassel informally what the German Government would be likely to agree to, otherwise the negotiation is one-sided.

In these circumstances, we must be careful in what way we notify our final agreement to the financiers' terms. It could be done in such a way as to safeguard our position.

Sir H. B. Smith is merely acknowledging Herr Gwinner's letter.

LOUIS MALLET.

December 31, 1909.

[47012]

No. 59.

*Sir Edward Grey to Sir A. Nicolson.*

(No. 335.)

Sir,

*Foreign Office, December 31, 1909.*

THE Russian Ambassador called at this Office on the 21st instant, and enquired of Sir C. Hardinge as to what had happened in connection with Sir E. Cassel's visit to Berlin, and as to what would now take place.

Sir C. Hardinge stated, as he had stated the day before to M. Cambon, that M. Gwinner had indeed expressed his readiness to make what could only be regarded as solid concessions on the part of the Bagdad Railway Company, but that no agreement had been come to between M. Gwinner and Sir E. Cassel, as there were points which would require serious consideration and possibly further negotiation.

Count Benckendorff enquired what procedure would be followed in the event of Sir E. Cassel coming to terms with M. Gwinner, and Sir C. Hardinge replied that he supposed the German Government would then inform His Majesty's Government that the Bagdad Railway Company were ready to allow participation by a British company on certain terms, and would ask whether His Majesty's Government would approve. The reply would then probably be that before answering, France and Russia must be consulted, or that, much as His Majesty's Government approve the terms, they would like to learn how France and Russia were to be satisfied. It was made clear to Count Benckendorff that once the financiers had come to terms, His Majesty's Government would not in any case bind themselves to accept those terms without consulting the French and Russian Governments, and discussing the terms which they also might make with Germany.

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Count Benckendorff appeared satisfied with this statement. He had seemed to fear that, because Sir E. Cassel's mission to Berlin was approved, whatever agreement was arrived at with M. Gwinner would be binding on His Majesty's Government. Sir O. Hardinge also remarked that, although an agreement might be arrived at between Great Britain and Germany, that agreement would also have to be accepted by Turkey, and he anticipated that there might be considerable objections on her part to the proposed solution. Count Benckendorff agreed.

I am, &c.  
E. GREY.

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